Austria ... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din 0.650	Italy .... L 1300	S. Arabia .. Rls 6.00
Belgium ... BFr.42	Japan Y550	Singapore . S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr.7.25	Lebanon ... £L 6.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr.42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rin 4.25	Taiwan ... NT $35
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.800
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 8.00	U.S.A. $1.00
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,726

Friday September 13 1985

D 8523 B

The consequences of takeover fever, Page 19

World news | Business summary

Rainbow Warrior statement demanded

The European Parliament added its voice to the call for the French Government to give a full explanation of its involvement in the sinking of the Greenpeace ship Rainbow Warrior over and above the official government inquiry.

French members of the assembly joined forces with the centre-right groups to rule out more explicit condemnation of nuclear testing in the Pacific.

The MEPs also stopped short of openly accusing the French secret service of direct involvement in the sabotage of the ship, which killed a photographer. Page 2

Train crash kills 43

Forty-three bodies were taken from the two trains which crashed in Nelas, Portugal, on Wednesday night. Rail officials said human error had allowed the trains to run towards each other on a single track. More than 100 people were injured.

'No' to star wars

Danish Prime Minister Poul Schlüter said the Government would not finance research for the U.S. star wars programme, but said there was no legal bar to private Danish companies working on the project. Page 3

Uganda fighting

Fighting broke out between rebels and government troops in two areas of Uganda, and the army chief said seven soldiers were killed. Page 4

Tear gas in Seoul

Riot police fired tear gas at 1,500 students who demonstrated at five universities in Seoul to demand the resignation of South Korean President Chun Doo Hwan.

Giscard testimony

Former French President Valery Giscard d'Estaing provided written testimony in the trial of Argentina's former military junta. Page 8

Sea captain jailed

An Athens court sentenced a Greek sea captain who threw 11 African stowaways into the Indian Ocean to 10 years and 10 months in prison.

Barcelona protest

A man was injured and 14 separatist demonstrators were detained in Barcelona during protests marking Catalonia's national day.

8 die in ambush

At least six soldiers and two rebels were killed when communist guerrillas ambushed a Government patrol in the northern Philippines.

Chinese earthquake

An earthquake in China's western region of Sinjiang killed four people, injured 61 and wrecked a hydro-electric power station.

Sakharov move

The step-son of Soviet dissident Andrei Sakharov ended his 14-day fast in Washington after being told the U.S. will seek his parents' release before the November meeting between U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev.

Nuclear forecast

As many as 2.5bn people could die of starvation as a result of nuclear war, and non-combatant nations would not be spared, according to a study by the Scientific Committee on Problems of the Environment.

Bridge of cloth

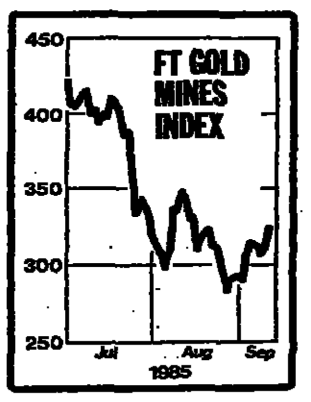
Christo, an American artist who once wrapped part of the Australian coast in pink plastic, began a $2m project to wrap Pont Neuf, the oldest bridge in Paris, with cloth. It will stay wrapped for two weeks from September 21.

Bear Stearns plans to go public

BEAR STEARNS, eleventh largest Wall Street investment banking and brokerage firm, is to go public through an initial share offering of 8m shares – equivalent to a 16.7 per cent stake – in an new holding company. The move, which ends 52 years of private partnership, is aimed at raising $200m in new equity capital.

HANSON TRUST, UK group which formally dropped its bid for SCM on Wednesday, was placed under a court order restraining it from buying further shares in the open market. Page 21

WALL STREET: The Dow Jones industrial average closed down 7.05 at 1,312.39. Page 46



F.T. GOLD MINES index advanced again by 14.8 to 323.9, showing a two-day rise of 19.8. Bullion rallied from around $318 to close little changed at $320.25 an ounce.

LONDON trading was activated by company profit results in an otherwise dull session. The FT Ordinary share index gained 7.4 to 1,014.0. Gilts held their ground. Page 46

TOKYO shares fell as profit-takers again moved in. The Nikkei-Dow market average was down 22.21 to 12,603.04. Page 46

DOLLAR finished well down in London at DM 2.9420 (DM 2.9610), Y243.10 (Y243.50) and SwFr 2.4230 (SwFr 2.4390). Page 39

STERLING finished at its best level of the day in London, recovering mostly on the dollar's weaker trend. It rose to $1.3195-$1.3205, a rise of 1.2 cent. It was also higher agianst the D-Mark at DM 3.8850 (DM 3.8725) and Y321.0 (Y318.50). Against the Swiss franc it rose to SwFr 3.1975 (SwFr 3.19) and FFr 11.83 compared with FFr 11.80. Page 39

GOLD: In New York the October Comex settlement was $319.60. Gold fell in London by $¼ an ounce to finish at $320-$320½. It opened at $320½-$321 and traded between a high of $320¾-$321¼ and a low of $316½-$317. Page 38

JAPAN is to drop its long-standing ban on imported petrol, a potentially important shift in energy policy, and plans to cut its refining capacity. Page 20

ESSELTE, Swedish office supplies, publishing and packaging group, reports first-half profits before extraordinary items up SKr 23m ($2.68m) to SKr 333m, on sales of SKr 4.78bn.

PROMET, Malaysian and Singapore construction, marine engineering and oil exploration group, suffered a 66 per cent decline in first-half profits to 14.5m ringgit ($5.8m). Page 22

ALLIED CORPORATION, diversified U.S. manufacturing and chemicals group, put its Prestolite motor and ignition division up for sale. Page 21

MR RUPERT MURDOCH, Australian-born international publishing magnate, is actively negotiating to acquire full control of 20th Century Fox Film, Hollywood film studios.

LALY, Norwegian investment firm which recently sought to acquire Kosmos, the shipping and industrial group, has become the group's largest single shareholder through an NKr 220m share purchase. Page 21

Britain expels 25 Soviets and issues retaliation warning

BY DAVID BUCHAN IN LONDON AND PATRICK COCKBURN IN MOSCOW

THE BRITISH Government last night warned Moscow that it would take an "extremely serious" view of any Soviet retaliation for its action yesterday ordering 25 Soviet officials out of London for alleged spying. But on past form some Soviet tit-for-tat retaliation seemed likely.

The UK expulsion order, affecting six diplomats, seven trade officials, five journalists and seven others, is the most sweeping since 1971's record expulsion of 105 Soviets and is the first to be openly linked to "inside" information from a senior Soviet defector.

The Foreign Office said a Mr Oleg Gordievsky had been granted asylum in the UK and at the time of his defection – probably this summer – had just been made the most senior KGB man in London, under cover as "counsellor" at the Soviet embassy.

Mr Geoffrey Howe, the Foreign Secretary, said last night: "We have worked hard to improve relations with Moscow. We shall continue to do so, but not at the expense of national security." The British Government has now expelled Soviet officials on no less than nine occasions since 1981, while at the same time seeking better relations by making top-level ministerial trips to Moscow and entertaining Mr Mikhail Gorbachev, the Soviet leader, in London last year.

Mr George Younger, the Scottish Secretary, is still hoping to make a planned trip to Moscow on Sunday with Scottish industrialists. Sir Geoffrey is due to meet his Soviet counterpart, Mr Edward Shevardnadze, later this month at the United Nations.

A Soviet embassy spokesman said yesterday in London that the expulsions were "without any foundation whatsoever, especially as it is justified by references to the allegations of a defector."

Called into the Foreign Office yesterday morning to be told of the explusions, Mr Lev Parshin, the acting Soviet Charge d'affaires, asked for access to Mr Gordievsky, a request that British officials undertook to pass on to the defector.

The UK Government has, at the same time, somewhat softened the explusion blow by raising its ceiling on the number of Soviet diplomats in London from 39 to 46.

Since 1971, Britain has steadily lowered the ceiling on the Soviet presence by the number of Soviets expelled. Thus, yesterday's action brings the ceiling on the total number of Soviets in London down by 23 – two of those expelled work for London-based international organisations dealing with wheat and cocoa – to 211. But, within that lowered overall ceiling of 211, the number of Soviets with full diplomatic status may now rise by seven to 46.

Repeated expulsions had eaten into the ranks of Soviet diplomats at the Kensington Palace Gardens embassy, and the Soviet ambassador is believed to have complained to the Foreign Office in June about the shortage of staff.

"It is very important for each to be able to maintain a viable embassy in the other's capital," a Foreign Office spokesman said last night.

In Moscow, there are 43 British diplomats, 32 non-diplomatic embassy staff, 18 businessmen and 14 journalists. After five Soviets were expelled from London last April, three UK diplomats were asked to leave.

In deciding the scale of retaliatory action, the Soviet authorities may be restrained by a wish not to get involved in a serious diplomatic clash with Britain in the lead up to the visit of Mr Gorbachev to Paris next month and the summit with President Ronald Reagan in November.

Continued on Page 20

UK casts net wide, Page 2

Pretoria expected to scrap pass laws and ease influx controls

BY ANTHONY ROBINSON IN JOHANNESBURG

THE SOUTH African Government is expected to act on a highly influential recommendation to scrap the country's controversial pass laws, which restrict the lives of black South Africans.

This major reform of the apartheid system was urged yesterday by the President's Council, an advisory body set up under the new constitution to advise the President on key policy issues. The council says abolition of the pass laws and the influx control system should be accompanied by a policy of orderly development of urban townships.

Dr A. J. Oosthuizen, chairman of the council's committee on urbanisation which produced the report, told a press conference in Cape Town that it was "probable" that legislation would be introduced during the coming Parliamentary session, beginning in January.

He added that some recommendations might be implemented sooner in the light of President Botha's speech on Wednesday announcing the restitution of South African citizenship to 8m black citizens of four "independent" homelands.

The council's recommendations were greeted as "a vital breakthrough" by the Urban Foundation, the private sector lobby group set up after the 1976 Soweto riots to press for better housing and living conditions for blacks. It urged the Government to act with urgency to implement the findings.

Prominent opponents of apartheid were equally jubilant. "This is probably the most important step forward in 30 years," said Mrs Helen Suzman, the leading anti-apartheid Parliamentarian. Ms Sheena Duncan, president of the Black Sash anti-apartheid women's movement claimed "this is the beginning of the end of apartheid."

The special reference books which blacks must carry at all times and which must be specially endorsed to permit them to live and work close to white areas are one of the most hated and discriminatory aspects of apartheid legislation.

The committee described present influx control measures, which lead to the arrest of between 200,000 and 300,000 blacks annually, as "discriminatory and in conflict with basic human rights." Instead it recommended that South Africa move towards an urbanisation policy which allowed the free movement of all South African citizens, and the replacement of black books by uniform identity documents for all race groups.

The influx control and pass laws are designed to ensure an adequate supply of black labour to white employers while preventing the "swamping" of white areas by uncontrolled migration from the black homelands and rural areas.

Massive illegal immigration has occurred, however and until now illegal immigrants, without "section ten" rights permitting work and residence stamped into their passbooks, have lived in constant fear of jail and removal.

Existing influx control laws are also reflected in government reluctance to build enough homes for blacks in urban areas, leading to the dense overcrowding of existing black townships which is a major cause of unrest.

Among the proposals made by the President's Council committee was the establishment of an urbanisation board to develop black urban areas closer to white areas, and also provide facilities for squatter type settlements with basic facilities for lower income groups.

Commenting on the council's proposals last night Mr Tony Bloom, chairman of the Premier Milling Group, said if only President Botha had announced his acceptance of them in his Natal speech on August 15, South Africa could well have been spared the shattering of international confidence which led to the collapse of the rand and the standstill of capital repayments.

His comment came as he prepared to fly to Lusaka today with three other leading businessmen and publisher Mr Hugh Murray for exploratory talks with a delegation of African National Congress leaders. The other three members of the group are believed to be Mr Gavin Relly, chairman of the Anglo-American Corporation, Mr Mike Rosholt, chairman of Barlow Rand, and Mr Chris Ball, managing director of Barclays National Bank. The Meeting is taking place despite condemnation of the initiative by President Botha.

Meanwhile the increasingly complex pattern of urban violence continued unabated yesterday as a white teacher and 10 young black students were shot and injured by police in the Johannesburg black township of Soweto. Rivalry between Zulu vigilantes and radical groups also led to the death of a black consciousness Azapo supporter, alleged to be on a vigilante hit-list, in a Durban township.

Details; businessmen to meet ANC, Page 4; Editorial comment, Page 18

Leutwiler asked to mediate on S. Africa

By William Dullforce in Geneva

DR FRITZ LEUTWILER, chairman of Brown Boveri, the Swiss engineering group, has been asked to mediate between South Africa and its creditor banks.

Dr Leutwiler said he would not decide until he had received a formal request from the major U.S., British, Swiss and West German banks and his decision would depend on the kind of mandate offered to him.

The initial approach came from Union Bank of Switzerland (UBS), which is now contacting the other banks most affected by the South African debt moratorium to see if they will agree to Dr Leutwiler's appointment.

As president of the Swiss National Bank and of the bank for International Settlements (BIS) until the end of last year, Dr Leutwiler is regarded by Swiss bankers as being particularly well qualified for the job.

He has a reputation for being forthright and outspoken and was energetic in promoting solutions to international monetary and debt problems during his terms of office in the National Bank and BIS.

Dr Leutwiler said last night that he had already cleared the possibility of his acting as mediator with the board of Brown Boveri and had told the Swiss Federal Council (Government) of the approach made to him.

He did not want to act in any way contrary to his Government's policy, he said. The Federal Council might not give him a go-ahead but it would be enough if they did not show a red light.

Dr Leutwiler has had no contact with the South African authorities. The first step, he said, was for UBS to sound out the other banks and that process should be completed in a matter of days.

ICI plans joint PVC venture with Enichem

BY TONY JACKSON IN LONDON

ICI PLANS to merge its loss-making polyvinyl chloride (PVC) interests with those of Italian state-owned group Enichem, creating the largest PVC producer in Europe.

Although details have not been disclosed, it is understood that a joint venture is planned between the two companies which will allow for a combined reduction of capacity. The West European market for PVC suffers from overcapacity of about 20 per cent.

The move is part of a general reorganisation taking place in the European petrochemicals industry. Producers such as ICI, Enichem and BP are seeking to protect their positions in selected commodity products by becoming as large as possible, while others are moving out of commodity products into more specialised areas.

BP yesterday also announced plans for a £100m ($130m) plant at Hull in north-east England to make intermediate materials for plastics and artificial fibres.

Enichem and ICI are at present Europe's second and third largest PVC producers respectively. The largest is the Belgian Solvay group, with capacity of around 900,000 tonnes per year, giving it about 17 per cent of the estimated West European capacity of 5.3m tonnes.

Enichem has PVC capacity of 772,000 tonnes a year and ICI 570,000 tonnes. Combined capacity would therefore initially be 1.34m tonnes, about 25 per cent of the European total.

In the petrochemicals downturn of 1981-82, ICI chose to specialise in PVC while dropping the manufacture of other commodity plastics such as polyethylene. The strategy was largely based on the threat of cheap polyethylene from new Middle Eastern producers and ICI's strength in the manufacture of chlorine, a basic PVC ingredient.

The group has precisely doubled its PVC capacity since 1980 through the construction of a new plant at Wilhelmshaven in West Germany and plant swaps and acquisitions elsewhere in Europe. PVC has not enjoyed the improved conditions seen in other bulk plastics in the last couple of years, however, and ICI is estimated to be making annual losses on its PVC production of around £50m.

Enichem is also making heavy losses in PVC manufacture. It is understood that PVC more than accounted for group losses last year of £40m.

Like ICI, Enichem is heavily committed to PVC. Formed in 1983 to rescue and nationalise a number of Italian chemical companies, the group became the repository of the country's bulk commodity petrochemical interests, while special chemicals went elsewhere. Unlike ICI, Enichem continues to make polyethylene, and is one of Europe's biggest manufacturers.

It seems likely that plant closures resulting from the merger will particularly affect vinyl chloride monomer (VCM), an intermediate chemical used in PVC. Enichem has VCM capacity of 846,000 tonnes and ICI 660,000 tonnes. Both companies are over-supplied for their needs, selling their surplus on the open market.

There are 12 manufacturers of PVC in Europe. After the Enichem/ICI merger the third largest producer will be Hoechst of West Germany, with capacity of under 500,000 tonnes, well behind the new group and Solvay.

Paris objects to AT&T and Alcatel-Thomson telecom deal

BY PAUL BETTS IN PARIS

THE FRENCH Government is raising strong objections to a proposed telecommunications deal between American Telephone and Telegraph (AT & T) and Alcatel-Thomson, the state-controlled telecommunications manufacturer.

This could set back Alcatel-Thomson's plans for expanding in the U.S. market through collaboration with AT & T.

Anxieties about the proposal surfaced at an inter-ministerial meeting this week where ministers worried about the political repercussions of the proposed deal in the run-up to next March's general elections. The Government is now seeking firmer commitments from the U.S. company on how it will support Alcatel-Thomson's ambitions to sell digital switching equipment in the U.S.

Having criticised AT&T's European expansion plans in the past, the Socialist Government is wary of allowing the U.S. company a major stake in the domestic public switching market.

Ministers are also concerned about the deal's impact on the troubled CGCT telephone group, which was owned by ITT before its nationalisation in 1982. AT&T would acquire CGCT's 15 to 16 per cent of the French public telephone switching market by allowing the French company to manufacture its equipment under licence.

But the arrangement would also involve the Dutch Philips group taking CGCT's private telecommunications business which the Government would prefer to see remaining in French hands – possibly through a deal with Jeumont-Schneider, the private French telecommunications and engineering group.

One of the special attractions of the deal for Alcatel-Thomson is that it also involves a link-up with Philips covering microwave systems. The French company would lead a joint microwave subsidiary, based in France, which would pool the over the air communications business of AT&T, Alcatel-Thomson and Philips.

Alcatel-Thomson, which is controlled by the Compagnie Generale d'Eléctricité (CGE) holding company, also believes it would be able to accelerate its penetration of the U.S. market by gaining AT&T commercial and technical expertise.

Up to now the French group's efforts to boost exports to compensate for sluggish domestic switching orders have been rewarded with some contracts for its E10-S system from small and medium U.S. telephone companies. The AT&T tie could help it to gain access to former Bell operating companies which comprise about 85 per cent of the U.S. market.

● Alcatel-Thomson is on the verge of clinching an agreement to acquire a stake in the Portuguese subsidiary of ITT, the U.S. conglomerate. This will give Alcatel-Thomson access to about 50 per cent of the $40m a year Portuguese telecommunications market.

Alcatel-Thomson, which has suffered setbacks in attempts to penetrate the British and the West German public switching sectors, feels its imminent deal in Portugal marks a small but symbolic breakthrough on to a European market.

Bonn concern over telecoms, Page 29

CONTENTS

EUROPEAN NEWS

TWO-DAY MEETING SHOWS SIGN OF BETTER RELATIONS

Soviet Union and U.S. in talks on likely trouble spots

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION and the U.S. yesterday started their first high-level talks on potential trouble spots in Indo-China, Korea and the Far East, in Moscow.

Mr Mikhail Kapitsa, Soviet Deputy Foreign Minister in charge of Asian affairs, is leading a team of Soviet experts in confidential discussions with Mr Paul Wolfowitz, assistant U.S. Secretary of State for East Asian and Pacific Affairs.

The meeting is the latest in a series of private diplomatic exchanges between the superpowers on regional issues which started in 1982. Discussions have covered Southern Africa, the Middle East and Afganistan.

The talks on Asia were proposed by Mr George Schultz, U.S. Secretary of State, when he met Mr Eduard Shevardnadze, his Soviet counterpart, in Helsinki in July. The two-day meeting agreed to is the first sign of better relations between Moscow and Washington at any level for some months.

The discussions are not negotiations but are primarily devoted to an exchange of information and rules of engagement in potential trouble spots. Diplomats say they play a useful role in avoiding misunderstandings.

There is little direct conflict between the U.S. and the Soviet Union in the region discussed by Mr Kapitsa and Mr Wolfowitz. This is in stark contrast to the years up to the end of the Vietnam War in 1975.

A main Soviet concern is the increase in the U.S. supplies and aid to Khmer Rouge and other guerrillas in Thailand who oppose the Vietnamese-backed government of Cambodia.

The Soviet press has also stepped up its attacks on Japan accusing it of increasing militarism and defence links with the U.S.

But Moscow primarily sees East Asia, and above all Indo-China, as a region whose future will determine its relations with China. Since 1975, the U.S. role has been peripheral.

Indochina and Vietnamese control of Cambodia, remain the most important of the three obstacles which Peking says prevents full normalisation of relations with Moscow.

The other two obstacles are Soviet troop concentrations, amounting to 55 divisions, on the Sino-Soviet border and the Soviet invasion of Afghanistan.

Mr Mikhail Gorbachev, the Soviet leader, has expended significant diplomatic effort in seeing Vietnamese, Cambodian, Lao and North Korean leaders in recent weeks, apparently in a bid to see if its allies in Indo-China can come up with a deal which could be acceptable to China.

There is no sign that Mr Gorbachev has succeeded.

China says it rejected a Vietnamese offer of confidential talks, and Vietnam said yesterday that it had killed or wounded 50 Chinese soldiers in border skirmishing this week.

It also said the Chinese had fired 50,000 artillery shells into Vietnamese territory.

Despite these obstacles, relations between the two largest Communist powers have improved steadily over the last year. The Chinese have referred to Mr Gorbachev as "Comrade" and, in July, Mr Yao Yilin, the Chinese vice-premier, was the first Politburo member from Peking to visit the Soviet Union for many years.

Trade between the two countries is planned to double by 1990, totalling $14bn (£10bn) over five years from the start of next year.

Soviet propaganda attacks on China are now very limited compared with the past, confined mainly to criticism of Chinese aid to Afghan guerrillas, the Khmer Rouge, and military links with the U.S.

MEPs demand 'full explanation' on Greenpeace

BY QUENTIN PEEL IN STRASBOURG

THE EUROPEAN Parliament yesterday called on the French Government to give a "full explanation" of its involvement in the sinking of the Greenpeace ship Rainbow Warrior, over and above the official government inquiry.

However, French members of the assembly joined forces with the centre-right groups to rule out more explocit condemnation of nuclear testing in the Pacific.

The MEPs also stopped short of openly accusing the French secret service of direct involvement in the sabotage, which killed a photographer on board the vessel in Auckland harbour in July.

The final resolution condemned unidentified "secret service activity against the Rainbow Warrior," although MEPs from the West German Greens movement had called for a tougher motion.

MMe Yvette Fuillet, a French Socialist MEP, reported hints carried in the French Press of unspecified British involvement in the affair, calling on the British Government to answer the questions that had been raised. Such involvement has already been sharply denied by Sir Geoffrey Howe, the British Foreign Secretary.

Other French members of the assembly steered clear of what was obviously an embarrassing debate, and relied on the support of the pro-nuclear lobby to head off the worst criticism.

Mr Paul States, a Belgian environmentalist member, declared that "agents of a certain state are nothing other than criminal terrorists. It is not only a question of murder, but more." He called on the French Government to indemnify Greenpeace and pay damages to the relatives of the murder victim.

The British MEPs were at loggerheads in their response. Labour MEP Mr Less Huckfield launched a strident attack on the French Government and all its works. Mr Christopher Beazley, a Conservative, accused him of seeking to reopen historic rivalries, and refused to be drawn, pledging himself

Reuter reports from Wellington: Prime Minister David Lange of New Zealand yesterday called President Francois Mitterrand's trip to France's South Pacific nuclear test site as "nothing less than provocative." He said it could harden opposition in the region to the French nuclear testing programme.

M Mitterrand is flying to the Mururoa atoll today to confer with French ambassadors and senior officials.

Mr Lange, in New Zealand's first reaction to the visit said it "could be aimed at promoting an even more vigorous and reckless campaign to counter the growing opposition to nuclear testing in the Pacific."

Two French secret agents face charges in New Zealand of murder and sabotage over the sinking of the Greenpeace protest ship.

Australia has also made a strong protest concerning the trip, calling it "provocative and contemptuous."

The French ambassador in Canberra, M Bernard Follin, was summoned to the Foreign Ministry yesterday morning and was handed the strongly-worded protest by a senior official, a ministry spokesman said.

Madrid aims to lower income tax and reduce evasion

BY DAVID WHITE IN MADRID

INCOME TAX cuts proposed by Spain's Socialist Government will apply to all but 10,000 taxpayers and will be "significant" in 60 per cent of cases, Sr Carlos Solchaga, the Economy and Finance Minister, said yesterday. At the same time, however, he announced plans to end what he called "simply scandalous" tax exemptions obtained by people with high incomes and large asset portfolios.

The reduction in income tax rates is the second stage of a package of measures brought out in April to revive flagging economic growth. Monthly tax deductions from salaries have already been cut in anticipation of the new scales. The money released in this way is expected to lead to a modest increase of between 0.7 and 1 per cent in household consumption this year.

Sr Solchaga put the cost to the Exchequer at Pta 150bn (£666m) and said this would have to be met by an "enormously austere" spending budget for next year. The minister is seeking a reduced 1986 budget deficit of 4.5 per cent of gross domestic product.

While cutting tax rates, the Government is stepping up its inspection to tackle the notoriously high rate of evasion. Sr Solchaga said that, sions of a report still in draft according to the initial conclustage, the amount that escaped the taxman was "very similar" to the amount currently collected.

The Government's ultimate aim, he said, was to reduce the dominant role played by tax on income from labour and to reduce the burden on low incomes.

The proposed changes, approved by the cabinet this week, bring cuts of between 2.92 percentage points on taxable incomes of up to Pta 1.2m (£5,333) a year and fractional reductions on higher figures up to Pta 10.6m. The lowest tax rate is cut from 17 to 8 per cent, while the top rate stays at 45.96 per cent. Taxable incomes of les than Pta 500,000 will be practically exempt.

The new rates, due to apply to 1985 incomes, are accompanied by a series of other proposed changes for which an introduction date still has to be set. They include a simplified flat-rate system for deductible expenses, aimed at easing the burden on the administration, and more favourable treatment for working spouses, the cost of which is to be offset by closing tax loopholes.

Deduction of interest paid on housing loans is to be limited to Pta 800,000 a year — a measure expected to hit 7,500 people in the luxury bracket.

The Government also plans to end the practice which has allowed numerous high-income earners to escape tax by deducting losses on stocks or other assets. New rules are to be set for capital gains and losses to prevent a negative balance in any given year.

According to the Finance Ministry, more than 500 Spaniards with annual incomes of over Pta 10m (£44,000) filed zero tax returns for 1983.

Inflation trend down in France

By David Housego in Paris

THE French Government received cheering news yesterday with confirmation that the inflation rate is now on a firm downward trend.

The consumer price index rose only 0.1 per cent in August, bringing the year-on-year rate down to 5.6 per cent. It is the first time since 1972 that France's inflation rate has fallen below 6 per cent.

M Pierre Beregovoy, the Finance Minister, said the result meant that France would end the year with an inflation rate of 5 per cent and "hopefully even less."

The Socialists intend to use their government's success in bringing down inflation — in comparison with the record of the Right when in power —as a central element in their campaign for the parliamentary elections in March.

In this spirit M Beregovoy claimed yesterday that the 5.6 year-on-year rate in August was the first time since 1972 that France had achieved an identical inflation figure to that of the average of its European partners.

He intends to reinforce his anti-inflationary programme with the presentation next week of a 1986 budget that will virtually freeze state expenditure in real terms.

The Government's confidence that inflation will continue to decline for the rest of the year is based on assumptions of a falling dollar and commodity prices, and no increases in French public sector tariffs.

M Beregovoy repeated, however, his commitment to lifting price controls gradually.

The Government would also like to lower interest rates further. But the Bank of France's intervention rate—which sets the pace of other rates — has stuck at 9¼ since the end of July. The main reason for this has been the authorities' nervousness over the franc after it came under pressure at the time of the devaluation of the Italian lira.

Although the French inflation fell to the Community average in August (excluding the British figure), it remains 3.4 points above that of West Germany. The differential none the less, is down compared with the 4.7 percentage points recorded at the end of last year.

Socialists 'losing lead in Sweden'

By Kevin Done, Nordic Correspondent, in Stockholm

THE OUTCOME of the Swedish election on Sunday looks highly uncertain, with the lead established by the ruling Socialist bloc in recent weeks being rapidly whittled away by the advance of the Centre-right opposition.

According to a new forecast of the election result from IMU, one of the leading Swedish opinion research institutes, the Socialist bloc—comprising the ruling Social Democrats and the Communists—will win 49.6 per cent of the votes.

They would have a small majority of only five seats over the non-Socialist parties, and the Social Democrats would be dependent on the votes of the Communists for an overall majority in the Riksdag, the Swedish parliament.

Since the IMU forecast was published less than two weeks ago, the non-Socialist parties—the Conservative, Liberal and Centre parties—have increased their share of the votes from 47 per cent to 48.1 per cent. The Liberal party's fortunes have improved particularly strongly.

In the last election in September 1982, the Socialist bloc won a clear victory with 51.2 per cent of the vote compared with 45 per cent for the three Centre-Right parties.

The outcome is still highly uncertain, however, and IMU says that only around 50,000 voters would need to change their votes to cancel out the Socialists' lead.

On the economic front the Social Democratic Government has received some good news in the shape of the latest inflation figures which show that Swedish prices actually fell slightly in August. The annual inflation rate at 7 per cent was the lowest for six years.

Britain casts wide net for Soviet 'agents'

BY DAVID BUCHAN

THE BRITISH Government's expulsion yesterday of 25 Soviet officials from London for alleged spying is fewer in number of people than the record 105 expelled in 1971, but affects more organisations. These include the Soviet embassy, and trade delegation, Soviet media, Moscow Narodny Bank, a foreign trade company and two London-based international organisations.

For the first time in the past 15 years of such expulsions, which have assumed clockwork regularity under the Thatcher government, the Foreign Office is openly admitting that it acted on "inside" information. This came from a Mr Oleg Gordievsky, who, according to UK officials, "had just been appointed head of the KGB Residency in London" at the time of his defection, probably in early summer.

A Foreign Office spokesman said yesterday that Mr Gordievsky had been granted asylum, having apparently told British officials that he wanted to become a citizen of a democratic country and live in a free society.

He is said to have joined the KGB in 1962 and, after a year at its training school in Moscow, spent much of the next 10 years in Moscow and abroad dealing with Soviet agents. Subsequently, he is reported to have engaged in KGB activities in Scandinavia and later in London, where he arrived with the rank of counsellor at the embassy in 1982.

The Foreign Office refused to say when Mr Gordievsky defected but it is likely to have been after the previous expulsion of alleged Soviet spies in April.

Indeed the latest, June 1985, issue of the Diplomatic List, which is compiled on the basis of rankings supplied by individual embassies, Mr Gordievsky is listed just behind Mr Lev Parshin, the Chargé d'Affaires in the absence on holiday of Mr Viktor Popov, the ambassador.

Soviet citizens expelled from UK for alleged spying

1971	105
1981	1
1982	2
1983	6
1984	1
1985	30

Expelled yesterday

Embassy diplomats	6
Non-diplomatic embassy staff	3
Trade delegation	7
Bankers	1
Businessmen	1
Journalists	5
International organisations in London	2

Agnelli points cautious way to free trade

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT IN FRANKFURT

FINANCIAL TIMES WORLD MOTOR INDUSTRY CONFERENCE

UNBRIDLED FREE trade today is not the way to create a really free world car market in the 1990s, said Sig Umberto Agnelli, chairman of the Fiat motor and engineering group, at the Financial Times World Motor Conference yesterday.

"In the present situation the immediate reaction would be protectionism, the effects of which would be felt for the whole of the next decade," he added. "Market upheavals do not necessarily bring more free trade. They are more likely to bring greater market distortions."

Sig Agnelli suggested the only way "to ensure a soft landing on the shores of free trade" was a far-sighted joint revision of the Gatt rules via serious negotiations between Japan, the U.S. and Europe to enable the various countries to maintain control over vehicle trade flows while committing them to "programmed reduction of constraints."

He warned that governments should realise the disastrous political and economic mistake they would make if they underestimated the impact of the motor industry on productive and technological growth in the advanced societies. "The cost in terms of failed or unbalanced growth would be astronomical."

Mr Robert Lutz, chairman of Ford Europe, maintained there were four areas in particular where European government action could improve the prospects of the motor industry. These were: eliminating the distortions in the EEC; agreeing a policy for trade with Japan; removing the inhibitors to growth in Europe; and ensuring that social policies were compatible in order to improve the international competitiveness of European manufacturing.

He criticised the European Commission for failing "to take action against those national governments whose policies continue to partition what we call in hope, rather than in truth, the common market."

Ford believed a true common market in cars would be achieved only when: the rates of taxation on cars were harmonised; national price controls on cars were abolished to permit free formation of prices throuhgout the Community; all governments resisted the pressures to give massive, selective state aids to their "national champions"; and more fundamental economic co-operation succeeded in reducing the degree and frequency of exchange rate fluctuations.

Mr Sten Langenius, president of Volvo Truck Corporation, said the heavy truck industry was becoming polarised into a few local assemblers specialising on a local market and specific segments and "world contenders," companies with strong international operations. He also predicted that competition would increase between those companies which produced their own components, such as engines and transmissions, and the independent component manufacturers.

Mr Roger Vincent, senior vice-president of Bankers Trust, predicted the European Motor industry, having suffered an annual drain in cash flow of $2.5bn-$3bn, would cut car production capacity by 1m in the next two years.

European volume producers were not generating sales revenue at high enough levels to support current plant or employment levels. He warned that, if the Japanese, European and others achieved what they intended in terms of U.S. car sales, the three major U.S. producers would have to cut production capacity by 3.5m-4.5m —"with the attendant problems of plant utilisation and price cutting."

Prof Krish Bhaskar, of the University of East Anglia's Motor Industry Research Unit, suggested co-operative agreements would be the key to survival for Europe's six volume car producers. Co-operative projects would be concluded across the whole spectrum of their operations, right up to the joint development of an entire range of models.

Mrs Marayann Keller, a partner in Villas-Fischer Associates, said the build-up of Japanese car production plants in the U.S. would lead to excess capacity and it would be much more difficult for the car companies to earn profits there. Making profitable investment in the automotive sector would, therefore, be particularly difficult from now on.

Other speakers included Dr Eberhard von Koerber, deputy member of the Board of Management, BMW; Dr Sergio Pininfarina, president, Industrie Pininfarina; Mr Donald Kress, vice-president, Booz-Allen & Hamilton; and Mr Paul Anderson, senior vice-president, Booz-Allen.

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EUROPEAN NEWS

The main parties have put communal issues aside in the poll campaign, writes **Paul Cheeseright**

Belgians face a clear choice on the economy

THE MAIN Belgian political parties have turned their backs on the communal arguments which dominated internal debate in July and August and are generally basing their election campaigns on economic and social issues.

"Maybe for the first time since the Second World War, electors have to make a choice between two distinct approaches to the economy," noted a senior official in the ruling coalition.

In essence the choice is between centre-right policies of restraint and the centre-left policies of reflation.

But the latest opinion polls, published yesterday by La Libre Belgique, the Brussels daily newspaper, show that over a quarter of the electors have not yet made up their minds how to vote on October 13. Their role will be crucial in a country not given to violent shifts of opinion, where a seat here and a seat there can strongly influence negotiating positions when coalitions are formed.

The undecided and the uninterested cannot wash their hands of the whole affair. Voting is compulsory and the representation of the parties in the Chamber of Deputies is strictly proportional. Also, the formation of a government has to be geographically and liguistically balanced if it is to survive.

Opinion movements in each of the three main areas are crucial. Belgium is a federal country without a single national political party.

● The economically and demographically dominant part of the country is Dutch-speaking Flanders in the north. Here the Christian Democrats, whose main electoral asset is the Prime Minister, Mr Wilfried Martens, vie for control with the Socialists, as Liberals and the Volksunie, a Flemish-nationalist party, snap at their heels.

● French-speaking Wallonia, in the south, is engaged in the painful restructuring of an economy once based on the traditional nineteenth century industries of coal and steel. It is an area where the Socialists have for long held sway, but where the Liberals have been gaining strength so that the Social Christians, centrist like the Christian Democrats in Flanders, are in danger of being squeezed.

● The pivot of the country is bilingual Brussels, where electors can vote on either the Dutch- or French-speaking lists. Latterly, the French-speaking Liberals, led by Mr Jean Gol, have been easily the most popular party. The others trail behind, but the city has also given birth to minority francophone nationalist parties whose influence has been fading.

Three distinct electoral battles are thus being fought. And there are three distinct political families doing the fighting, each a mixture of alliance through necessity and fratricidal strife.

First, there is the Christian Democrat-Social Christian family, present in one form or another in every government since the late 1950s, able to trim according to the circumstances in alliances veering right or left.

Second, there is the Liberal family, doctrinally to the right of the Christian Democrat-Social Christian nexus, especially in the case of the Flemish Liberals with their predeliction for thoroughgoing laissez-faire economics.

These two families make up the outgoing coalition, the fifth Martens Government, and the business community would like to see it back again. It has 113 seats in the 212-seat Chamber of Deputies.

The third family is Socialist, anxious to modify the restraint policies of the Martens coalition, on the French-side through selective reflation and on the Flemish side through widespread schemes of work-sharing. They have fastened on to the main concern of the electorate, as seen in the polls —jobs.

Here, then, on the evidence of the first few days of campaigning is where the electoral battle will be fought out. Fastening on to the jobs issue is at the same time to fasten on to the coalition's record on economic policy.

The case being argued by the outgoing coalition parties is that stability has been restored: corporate competitiveness has returned, the balance of payments has recovered, government spending has been brought under control, the rise in unemployment — running at 13.5 per cent — has been checked.

Socialists argue that the burden of sacrifice has been unfairly distributed, that funds should be channelled into industrial expansion, that steps should be taken to revive the buying power of consumers.

The argument at this level is broadly the same as that taking place across Western Europe. It is the culmination of the debate which has been running in Belgium ever since the Martens coalition devalued the franc in spring, 1982, and followed a policy of shifting resources from the consumer to the corporate sector.

But more than economic philosophy is at stake on October 13. The electorate will have to decide whether it wants a government at all.

Although there can be surprisingly little resemblance between what a party says it wants in an election campaign and what it will agree to do as the price of being in a coalition government, nobody in Belgium believes it would be easy to accommodate the Socialists in power.

The Flemish and French-speaking wings of the Socialist family are deeply divided on the deployment in Belgium of cruise missiles. Both are on the opposite pole of economic policy from the Liberals, and it is not clear whether the Christian Democrat - Social Christian family could meet the Socialists half-way on government-inspired reflation.

Certainly the position of the Martens coalition is finely poised. The Libre Belgique poll showed that, in Belgium as a whole, 22 per cent of the population had no confidence at all in it and 26 per cent had no opinion.

In July, it nearly collapsed over the handling of the Heysel football tragedy, although the importance of that as an electoral factor is dismissed in the polls. Latterly, it has been involved in communal wrangling over the control of education.

The education issue will surface again when, after the poll, negotiations start for a new coalition. How protracted those negotiations will be depends on how successful the Socialists are in pressing their case at the polls.

Mr Martens (left), Prime Minister in Brussels; Mr Gol (right), head of Brussels' most popular party

HOW THE PARTIES STAND
1981 election result

Dutch-speaking		French-speaking		Total
Outgoing coaliont.				
Christian Democrats	43	Social Christians	18	
Liberals	28	Liberals	24	113
Opposition:				
Socialists	26	Socialists	35	
Volksunie	20	Regional parties	8	
Greens	2	Greens	2	
Others	2	Communists	2	
		Others	2	99

Chamber of Deputies: 212 seats. Overall majority 107 seats.

Bright investment outlook forecast for West Germany

BY JOHN DAVIES IN FRANKFURT

WEST GERMANY is likely to experience a wave of investment in the next few years, even though companies have a heavier tax burden than in some other countries and face bureaucratic restraints on expansion. This is the view of Industriekreditbank - Deutsche Industriebank (IKB), whose activities include financing medium-sized companies.

IKB is owned partly by chambers of commerce and industry, insurance companies and the "big three" banks (Deutsche, Dresdner and Commerzank), as well as private stock market investors.

It believes investment could pick up strongly as microelectronics and modern data processing gain further ground in all sectors of the economy. It predicts that use of computer-controlled machine tools, robots and flexible manufacturing systems will spread more widely among medium-sized companies — often considered the backbone of West Germany's economy.

There is likely to be further stimulus to investment in the medium term from communications technology. But companies' modernisation plans will depend on the pace at which the Bundespost installs necessary infrastructure.

On top of that, research now under way could lead to investment in such product areas as optical fibres, engineering ceramics and other new materials. Increasing efforts to protect the West German environment are also likely to mean heavy investment by companies.

With some industries lagging in investment in recent years, West Germany's equipment and buildings have been ageing on average. But the investment wave ahead should halt this trend, IKB says.

The bank welcomes the Government's decision to reduce the period during which buildings can be written off, even though other countries, such as the U.S., have even better terms.

IKB says steps should be taken to reduce the tax burden on companies to boost the investment trend. One study has shown, it says, that West German companies had only 30 per cent of their profit left after all kinds of taxes, compared with about 40 per cent in Japan and 15 per cent in the U.S.

Steps should also be taken to remove obstacles which laws and regulations put in the way of investment, the bank says.

Alfonsin seeks support for economy in Europe

BY JIMMY BURNS IN BUENOS AIRES

WESTERN EUROPEAN receptivity to President Raul Alfonsin's call for increased foreign investment in Argentina will be tested this weekend when he arrives in Bonn at the start of state visits to West Germany and France.

His trip to Europe, which begins in Yugoslavia today with talks more strictly concerned with the non-aligned movement, is his first outside South America since the introduction in June of his bold austerity package to control inflation, and the subsequent signing of a rescheduling package with the commercial banks and the International Monetary Fund.

Argentine officials are optimistic that the time is ripe to present their country not just as a responsible creditor but as an attractive proposition for foreign businessmen willing to participate in the expected medium term recovery programme.

The situation contrasts with that which existed just over a year ago. Then, Sr Alfonsin's deepening economic problems cast a shadow over his democratic credentials during an official visit to Spain, and a non-state appearance in Paris.

Now Sr Alfonsin, accompanied by a high level mission including Sr Juan Sourrouille, the Economy Minister, Sr Dante Caputo, the Foreign Minister, and leading bankers and businessmen, will arrive in Europe armed with the latest statistics showing that inflation in August reached its lowest level since May, 1982.

Politically, his image as a committed democrat has been enhanced by his apparent determination to see that justice be done in the trial of the juntas that resumed this week, a development closely watched in Bonn and Paris since West German and French citizens disappeared in Argentina following the 1976 coup.

As a result, Argentine government officials and their West German and French counterparts have been working on the wording of several co-operation agreements to act as a symbolic backdrop to more specific talks on contracts worth millions of dollars in strategic areas of the Argentine economy.

Siemens, Mercedes Benz, and Kraftwerke Union are among the leading West German companies understood to be seeking opportunities for strengthening their already considerable investments in Argentina.

Dutch navy buys Philips anti-missile systems

BY LAURA RAUN IN AMSTERDAM

THE DUTCH navy has ordered ten "Goalkeeper" anti-missile systems valued at Fl 367m (£85m) from Hollandse Signaalapparaten, the defence electronics subsidiary of Philips.

This is the second major contract for the frigate-based system that detects and destroys enemy missiles using an early-warning device. Britain's Royal Navy bought six of the 30mm short-range systems last year, with deliveries to start at the end of 1986, and is negotiating to buy more.

"The goalkeeper" is a joint development of Hollandse Signaalapparaten and General Electric of the U.S., with the Dutch company having overall responsibility. The Dutch navy previously bought two prototypes for use in sea and land trials.

The weapons will be installed aboard "Kortenaer" class frigates and used purely in defence- according to Mr Jan Van Houwelingen, the Undersecretary for Defence. In a letter to Parliament, he apparently suggested that "Goalkeeper" would be useful in situations such as the Falklands war when Argentina launched French Exocet missiles against British ships.

India, meanwhile, has ordered a "large series" of the Flycatcher radar weapon-control system for Hollandse Signaalapparaten. The exact size of the contract was not disclosed, but the order will lift total sales of the low-level tracking system above 250.

The first batch of Flycatchers will be produced in Hollandse Signaalappparaten's Hengelo plant and the remainder in India under a licence agreement.

Denmark rules out official participation in Star Wars

BY HILARY BARNES IN COPENHAGEN

DANISH RESEARCH institutes financed by the Government will not be permitted to participate in programmes under President Ronald Reagan's Strategic Defence Initiative (SDI) the so-called Star Wars project, Mr Poul Schlueter, the Danish Prime Minister, disclosed in Washington this week.

But the Conservative leader of the four-party non-Socialist coalition added that there was nothing to stop private companies or individuals from working on SDI-related programmes.

His remarks came during an official visit during which he heard severe criticism by Mr George Shultz, the U.S. Secretary of State, for its equivocal support for Nato.

Mr Shultz was specifically critical of Denmark's custom of filing "footnote" reservations to Nato decisions, such as the decision to deploy medium-range missiles in Europe. Such procedures undermined Nato's solidarity, he said.

Mr Shultz said that Nato would have a place in the history of how the Western nations preserved the civilisation "to which we owe our very existence."

"If, however, Nato decisions are consistently footnoted, there is a danger that future generations may not be able to look back on a world that we in this room would like to see," he said.

OVERSEAS NEWS

Top S. African businessmen set to meet ANC team today

BY TONY HAWKINS IN HARARE AND OUR FOREIGN STAFF IN LONDON


Relly—brave move

A GROUP of five top South African businessmen, led by Mr Gavin Relly, chairman of the mining group Anglo-American, will meet the leaders of the banned African National Congress for talks on South Africa's future in Lusaka today.

The meeting will be followed at the weekend by a gathering in Maputo, Mozambique, of six black African leaders of neighbouring states to review events in South Africa.

The Lusaka meeting will take place in defiance of the South African Government which has said publicly it opposes any contacts with organisations committed to its violent overthrow.

Six black African leaders to hold summit

The meeting is likely to discuss ways of ending South Africa's political and economic crises. In addition to Mr Relly the other businessmen reported to be attending are Mr Tony Bloom of the Premier Group, Mr Mike Rosholt of Barlow Rand, Mr Chris Ball from Barclays Bank and Mr Hugh Murray, publisher of the prestigious business magazine, Leadership S.A.

Mr Oliver Tambo, president of the ANC, the main nationalist organisation fighting white rule of South Africa, will head its delegation.

ANC officials say their participation reflects the organisation's policy of talking to all sectors of the South African community who favour the abolition of the country's apartheid policy of racial segregation.

No agenda has been set for today's discussions, intended to open the way for further contacts which both sides hope could ultimately lead to negotiations between the Pretoria Government and the ANC and other black South African leaders.

The meeting of the African Frontline states' leaders is to be attended by the Presidents of Botswana, Mozambique, Angola, Tanzania and Zambia and Prime Minister Robert Mugabe of Zimbabwe. The leaders are expected to discuss the possible impact on their economies of western economic sanctions against Pretoria.

With the exception of Tanzania and Angola, all the frontline states are substantially dependent on South Africa, primarily for transport.

The frontline states support economic sanctions against South Africa despite deep fears within their business communities that these will have seriously adverse effects on their own economies.

Mr Julius Nyerere, the retiring Tanzanian President, who will be attending what is likely to be his final frontline summit, has called for a western-funded airlift should South Africa retaliate against the frontline states by imposing reprisal sanctions.

Western diplomats in Harare say the summit will also discuss the civil war inside Mozambique following Maputo's statement that its forces, in co-operation with Zimbabwean paratroopers, overran the main stronghold of the Mozambique Resistance Movement (MRM) last week.


Tambo—smile of surprise

Heavy losses led to Alfa Romeo pullout

BY ANTHONY ROBINSON IN JOHANNESBURG

THE DECISION by Alfa Romeo to close down its South African assembly plant and pull out of the overcrowded and depressed South African car market follows losses running into "tens of millions of Rand," Sig Gianni Marinelli, general manager of the South African subsidiary announced.

The decision follows months of mounting losses, exacerbated by the recent sharp fall in the Rand and was taken for economic not political reasons. At the end of last year the Italian parent company injected R28m (£8.6m) to cover foreign exchange and other losses and since then the company has embarked on a cost cutting exercise and heavily discounted prices in an attempt to shift excess stocks.

This had cut projected losses this year by R40m.

But with the Brits assembly plant working at only one third capacity and a steep rise in costs due to the depreciating Rand the parent company decided to pull out rather than inject the "large sums" required to keep the operation going.

The total value of Alfa Romeo's investment in South Africa is over R100m. A buyer is being sought for the assembly plant, which has the capacity to assemble 18,000 vehicles annually. It assembles seven variants of four Alfa Romeo models plus the Daihatsu Charade under license. Production will continue for the next three months to complete existing orders but 500 mainly black workers will lose their jobs as a result of the closure.

Over 50 dealers will also be affected while negotiations are taking place with the South African McCarthy car distribution group to ensure a continuing service and spare parts operation.

Alfa's decision is the latest in a series of disinvestment moves by foreign car manufacturers and takes place against the background of widespread short-time working and urgent rationalisation moves.

Last year Ford merged its South African operation with the Anglo American Corporation-owned Amcar to form Samcar. Sanlam took over the Nissan car operation following its takeover of the Messina group and General Motors is seeking a South African partner for its local operations.

Volvo and Fiat pulled out of South Africa several years ago while British Leyland also ended car assembly to concentrate on trucks, buses and Landrovers. Meanwhile Samcar has made clear to Peugeot that it no longer intends to assemble the French company's models under its product rationalisation plans.

In the first seven months of this year, car sales dropped 35 per cent from the equivalent 1984 period and light commercial vehicles sales were 37 per cent lower.

Total industry losses could be as high as R1.5bn this year with even industry leader Toyota reporting losses and luxury car manufacturers like Mercedes Benz and BMW, who were the last to be affected by the sales slump, working short time.

The car market peaked on sales of 301,000 in 1981 but sales this year are expected to be below 190,000, less than half total capacity.

Euro MPs bitter over vote failure

DISAPPOINTMENT and acrimony has followed the European Parliament's failure to come to a joint position on whether the Common Market should impose sanctions against South Africa, AP reports from Strasbourg.

After a lengthy debate late into Wednesday night, the eight political groups in the Assembly voted down each other's draft resolutions. Despite a nearly unanimous disapproval of the apartheid regime and the state of emergency declared by Pretoria in July, the deputies could not even agree on a statement condemning the racist policy.

"It's really appalling that this Parliament, which has a good tradition of progressive attitude on human rights, has not been able to agree on this most important issue," Ms Barbara Simons, a West German socialist said.

Mr Rudi Arndt, leader of the Socialist group, also of West Germany, shared her view. He blamed the centre-right political parties for the failure. When the Christian Democrats and the Conservatives get together, he said, "things always go wrong."

Mr Gijsbert de Vries, Dutch Liberal deputy, said he was "very disappointed" with the parliamentary vote, but he blamed the far-right deputies from France and Italy for the defeat. Mr De Vries was among the deputies who agreed on a compromise resolution on behalf of the centre-right coalition.

That compromise, which called for limited economic sanctions, was defeated by a 145 to 161 vote.

Report condemns black pass laws

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S President's Council yesterday issued a report on urbanisation which advised the Government to abolish influx controls and special passes for blacks, two of the most hated aspects of the apartheid system, and adopt instead a policy of orderly urbanisation.

Until now, Government policy has been to restrict the flow of blacks to white urban areas and force blacks to carry special passes. These passes permit them to live in black townships and to seek work in white areas only under strictly defined conditions.

The committee recommends that "uniform identity documents be issued to all citizens of the republic and priority be given to the replacement of the present reference book for blacks." It also proposed the formation of an urbanisation board which could formulate and regulate plans for urbanisation strategy covering housing, local government, transport, finance and urban planning.

Urbanisation, said the report, should not be viewed as an evil but as an opportunity to utilise one of the country's greatest resources, its people, and to improve the quality of life for all.

Its findings were heavily influenced by studies undertaken by the Urban Foundation, the private-sector lobby set up after the 1976 Soweto riots to improve black housing, and the findings of the Population Development Programme, which reported last year that population growth could only be kept within manageable limits if black urban development were encouraged.

The report found that influx control contributed to unrest and conflict. It was "a polarising factor which gave rise to bitterness and hatred among blacks towards whites who, on the whole, have to enforce it."

It found that an important argument for the elimination or phasing out of influx control was the "detrimental effect on the legal system and the enormous cost of enforcing an ineffective system as well as the manpower needed."

It noted that between 200,000-300,000 blacks were arrested annually under the present system, but that "large scale circumvention of the law produces contempt for the relevant Act and for the authorities."

The committee further argued that influx control measures as presently applied were "discriminatory and in conflict with basic human rights."

The report found that "it is neither possible nor feasible to retain influx control and remove only its discriminatory elements" because it was discriminatory per se in being applicable only to blacks.

The committee recommended that "influx control should be replaced by a positive urbanisation strategy that, by making use of market forces, subsidies and development, would encourage people to settle in certain suitable areas rather than forbidding them to move to certain urban areas."

The committee also recommended that the abolition be applied to the homelands; a policy which would be facilitated by President P. W. Botha's announcement on Wednesday that South African citizenship would be restored to the 8m citizens of Transkei, Ciskei, Venda and Bophuthatswana.

It also urged that "blacks themselves should be involved in the development of the proposed urbanisation programme."

Studies carried out by the committee showed that 70 per cent of all black commuters spent more than three hours a day travelling, which led to great hardship and an unnatural family life.

It recommended that future urbanisation plans should be closer to existing urban areas and places of employment

Other measures proposed by the committee on urbanisation to promote better housing for urban blacks and greater urban development in the homelands include the following:

- Additional sources of finance for the development of black housing must be sought as a matter of urgency;
- Building and service standards as well as the provision of health and other services should take into account the income levels and the realities of informal squatter-type settlement;
- The costs of providing urban services and housing should be recovered from consumers and purchasers so as to be self-financing as far as possible;
- Black local authorities must be more involved in the designation of land for urban development through the proposed new regional services councils;
- Home ownership for as many people as possible should be set as a national housing objective;
- Leaseholds should be extended to the sub-economic housing component of all population groups;
- Financial resources should be mobilised with particular attention to long-term financing programmes directed mainly at low income categories;
- Self-help schemes should be encouraged;
- More effective research should be undertaken into alternative, cheaper and more cost effective building methods and means of providing services;
- Minimum housing standards should be set for informal (squatter-type) settlement of low income groups.

BRITAIN has expressed concern to South Africa about the detention and intended deportation of a British journalist being held at Johannesburg's Jan Smuts airport awaiting a flight out of the country, Reuter reports from Johannesburg.

Mr Stoffel Botha, the South African Home Affairs Minister, said that Mr Ray Wilkinson of Newsweek had co-authored an article in this week's edition of the U.S. magazine which displayed "selective reporting, half-truths and false innuendo." Mr Wilkinson was arrested in a Cape Town hotel yesterday and flown to Johannesburg.

A British embassy spokesman in Pretoria said Britain's concern had been passed to the Foreign Ministry. British consul Mr John Dove was trying to see Mr Wilkinson at the airport, he added. Mr Botha said the foreign media had created "false perceptions of the actions and aims of the South African Government and the nature and extent of the unrest in the country."

Journalists deaths pose dilemma for Reagan

By Chris Sherwell in Bangkok

THE BLOODY deaths of two U.S. television correspondents in Monday's abortive coup d'etat in Bangkok has posed a tricky problem for the Reagan Administration, which has to decide on visa applications by at least three Thai military figures who spearheded the poorly-organised attempt to seize power.

At a memorial service in the Thai capital yesterday for Mr Neil Davis and Mr Bill Latch, the two NBC news journalists killed by tank fire, a senior NBC official said their deaths were "a pretty clear case of murder." He called on the Thai Government to identify the tank crew and those who gave the orders to fire and to arrest and try them.

The U.S. is believed not to have made a decision on the visa applications because of a potentially negative public reaction, at home to the newsmen's death. The sentiments expressed yesterday by Mr MacDonell, NBC's general manager for Asia, will reinforce that view.

One of the three military men involved is Col Manoon Roopkachorn a former young turk officer who also took a leading role in the abortive 1981 April Fools coup against the Government of General Prem Tinsulanonda. It is not known for certain whether Col Manoon's brother, wing commander Manas also involved in Monday's affair is one of the other two.

All three men are being held at a secret location in Singapore after negotiating their surrender and flight abroad with the Thai Government which may have made the concession because it wished to avoid an embarrassing trial at home, as well as further bloodshed on the streets.

Though such conflict avoidance is characteristic of Thailand, it poses a dilemma for the U.S. which sees the country as a vital ally confronting Soviet-backed expansion by Vietnam in Indo China. Washington may wish to accede to requests from Bangkok, but it must deal with western sentiments that the coup lotters be punished for treason.

Mr MacDonell was strongly critical yesterday of the Thai decision to let such key figures leave the country, and indicated dissatisfaction at the prospect of seeing them allowed freely into the U.S. He also said the Thai Government's view—that it could not be held responsible for the two men's deaths—"won't work."

He said he had looked at video tapes of the incident, and concluded that the two journalists and a third who escaped were deliberately fired upon.

Large crowds of friends and colleagues attended the church service, along with Thai officials and the Australian and U.S. ambassadors. Mr Davis was an Australian and Mr Latch American. Officially, a total of five people died in the coup which was quelled in ten hours. Some 60 people were injured.

A parliamentary debate on the affair may be held today when a statement should be made by General Prem. The Government has already ordered an investigation and three former Generals, including General Kriangsak Chomanand, a former premier, are currently under house arrest, on suspicion of involvement.

Talk is growing of possible changes in the four party coalition Government, with hints of a possible cabinet reshuffle within a few weeks. Speculation is also growing about modifications in economic policy about which the rebel soldiers voiced complaint.

Most debate however focuses on the detail of the coup itself and particularly who might have inspired Col Manoon and his brother, both intelligent men, to take such a futile bid for power, with just 22 tanks and 400-500 men.

One local newspaper said last night: "The probe team may not be able to get anywhere closer to the real truth of the entire episode, and may have to sacrifice truth for the sake of national solidarity and unity. In short, perhaps no one will ever know the whole story."

Fighting erupts outside Kampala

FIGHTING between the Ugandan Army and the National Resistance Army (NRA), the country's main guerrilla group, broke out near Kampala yesterday, apparently jeopardising peace talks between military rulers and the rebels, Reuter reports from Nairobi.

The official Radio Uganda, monitored in Nairobi, quoted General Tito Okello, head of Uganda's ruling Military Council, as saying NRA forces in civilian clothes had attacked government positions at Kawanda, seven miles north of the capital Kampala.

Gen Okello said the situation had quickly been put "under control" and urged civilians to help track down the NRA men.

Accounts of the fighting reached Kampala several hours before the official announcement and shops, government offices and banks were closed. Many parents kept their children away from school.

Travellers reaching the capital from the north said they had seen columns of armed soldiers walking towards Kampala and that they had heard heavy gunfire in the hours before dawn.

Diplomats in Kampala said a tenuous ceasefire declared by the NRA since former President Milton Obote was ousted seemed to have broken down.

They said they believe the security situation, which had improved following the overthrow of President Obote by the army last July, has worsened yet agian.

There has been no official word on the future of talks that opened in the Kenyan capital Nairobi on August 26.

The talks, which aim to thrash out a durable ceasefire and ultimately a formula to end more than 20 years of tribal antagonism and bloodshed, were suspended for the second time last

The Government delegation had asked for time to go back home to prepare its position, said President Daniel Arap Moi, of Kenya, who is chairing the negotiations.

Head of Arab Fund to plead immunity

BY KATHLEEN EVANS IN DUBAI

THE FORMER head of the Arab Monetary Fund, Dr Jawad Hashim, is planning to plead diplomatic immunity to the charges he faces in Abu Dhabi.

The plea of immunity, is expected to add to Abu Dhabi's difficulties in recovering the $70.8m (£55m), which the prosecution alleges disappeared from the Fund's earnings during Dr Hashim's term of office.

Dr Hashim, a former Minister of Planning in Iraq, is currently living in London and there is no extradition treaty between Britain and the United Arab Emirates (UAE). He has refused to attend the Abu Dhabi court hearings, and denies the charges against him.

Earlier this week, the court resumed its case against Dr Hashim and five former associates, though only two dewendants were in court. The defendants present are believed to be a former official of the Fund's finance department, and a partner in an auditing firm which supervised the organisation's accounts according Abu Dhabi Press reports.

The case was adjourned until October 27, and further proceedings are expected to be heard in camera.

Dr Hashim's lawyer in the case, Dr Ahmed Al Khawajeh, Dean of the Egyptian Bar Association, was absent from the proceedings this week and sent an apology to the judge.

The 35 page defence document written for Dr Hashim maintains that the former President's immunity applies even after the expiry of his team of office. The paper says that as the fund's most senior officer his immunity is similar to that of a head of a diplomatic mission in the UAE according to the treaty signed between the Fuund and the host Government.

The defence argues that the court in Abu Dhabi has no jurisdiction in the case and that only the Secretary General of the Arab League has the power to withdraw his immunity.

Christians fight gun battle in East Beirut

BY NORA BOUSTANY IN BEIRUT

AN ARGUMENT at a checkpoint developed into a gun battle yesterday mirroring political tensions on the ground. But this time the shoot out was not in the anarchy-ridden Moslem sector but in the Christian controlled Eastern part of the Lebanese capital.

The military police of the Christian militia, the Lebanese Forces and the Falange party had to intervene to prevent the two-hour clash from deteriorating into an inter-Christian showdown.

A Lebanese Forces statement attributed the conflict to a personal quarrel between two of its militiamen, carefully skirting around differences between the hard-line Christian militia and armed sympathisers of President Amin Gemayel.

Minutes after the row broke out, shooting spread from the neighbourhood of Badaro just east of the Green Line to the residential area of Achrafiyeh. Two people were killed during the clash..

Sniping and a volley of mortars across the Green Line made the only open crossing between East and West Beirut hazardous yesterday afternoon. The crossings have been virtually shut for the last month following a wave of kidnapping triggered by a series of car bombs.

The protracted closure between Christian and Moslem areas has resulted in an effective blockade and caused serious bread and flour shortages in the Moslem half of Beirut.

Reuter adds: In North Lebanon, former President Suleiman Franjieh held talks with Lebanese Forces chief Elie Hobeika as part of Christian consultations in advance of possible Syrian-sponsored talks with Moslem leaders on political reform.

Mr Hobeika told reporters after his meeting with Mr Franjieh that he would pay another visit to Damascus soon to pursue talks with Syrian officials. He described Mr Franjieh's reform proposals as a prelude to dialogue and anticipated "a cooling of the security situation in the country."

Mr Franjieh's reform proposals call for equal Christian and Moslem representation in parliament, where Christians are currently alloted six of every 11 seats. But he insists the President should continue to be a Maronite Christian, contrary to Moslem demands for an end to sectarianism.

Meanwhile Prime Minister Rashid Karami said in a statement that Lebanon would welcome "any assistance that comes from outside" which would help achieve peace.

Mr Karami called for Syrian troops to impose order in West Beirut after bitter militia street fighting last week. His call was echoed this week by Mr Franjieh. There has been no public response from Syria.

Robert Thomson in Peking examines changes in education since the chaotic cultural revolution

Chinese learn to respect teachers

"TEACHING IS harmful ... no examination is required. Who examined Marx? Who examined Engels? Who examined Lenin? Knowledge is not gained in schools. When I was in school, I did not obey the rules."

So said Mao Tse Tung in the middle of the chaotic period in China that was the cultural revolution. The effects of those anti-intellectual thoughts of Chairman Mao linger in the Chinese classroom today.

In that 10-year period (1966-1976), which Chinese leaders today regretfully call a "disaster," students were encouraged to abuse their teachers, and intellectuals were said to be in the "ninth stinking category," putting them somewhere behind the despised ranks of landlords and enemy agents.

The frenzied hatred of education and the Mao-inspired Philistinism provoked brutal attacks on teachers. At the Number Eight middle school in Peking's inner west, the principal was beaten to death in 1966 by Red Guards on the rampage. His own students were among the attackers.

Teachers learned the violent lessons of the time and kept a necessarily low profile. Education was *stigmatised*. Now, the Chinese leadership, particularly the country's present political strongman, Deng Xiaoping, has launched a campaign to overhaul the education system *and reintroduce the respect for* learning that had for so long been a trademark of Chinese society.

Deng, in his pragmatic push for the modernisation of China, has been passionate in his support of education. At a national conference on the subject late last month, he said that the reform of education was "what we had wished to do for many years but did not do.

"This is a big step forward made by our party. The strength and the economic growth of our country is increasingly dependent on the competence of its workforce and the quantity and quality of its workforce."

Aware that there are cadres working against change, Deng warned: "A number of our comrades, including some high-ranking officials, do not yet fully realise the necessity of developing and reforming education. They lack a sense of urgency."

Replanting the tree of knowledge uprooted during the cultural revolu*tion will be no simple matter. The* debris of past policies will inevitably hinder the progress of reform.

China has a chronic shortage of teachers, and many of those teaching in schools at present have little more formal learning than their pupils. Teaching has limited attraction to young Chinese, as its status is comparatively low.

Classrooms are in short supply, and facilities in them are poor. There are shortages of desks, chairs and other equipment. Texts are outdated and generally inadequate. There are not enough books on economics, law, languages and technical skills to go round.

Hatred for teaching and teachers surfaces occasionally. Last November, a series of "teacher-bashing" cases were reported in the Chinese press and attributed to the "pernicious influence" of the cultural revolution. Last October, *construction* workers occupied the Taipinglu middle school in Peking, assaulted teachers and tore down a school wall.

In the *controversy that followed*, Ding Rong, a teacher at Peking's Number Four high school, publicly requested that the lot of teachers be improved and their social standing be *lifted*. "An *economically* advanced country *must* be one where education is emphasised," he said.

Children have since been asked to salute their teachers when they meet by either bowing or raising the right hand above their head. They have also been encouraged to say "Good morning, teacher," "How are you, teacher?" and "Goodbye, teacher."

That cases of violence against teachers have been widely reported indicates that Chinese leaders sense there is a sediment of antipathy that has not been washed away by the changing political tide. The leaders have also yet to overcome the reluctance of some peasant families in rural areas to send their children to school. The parents consider their children are of more use in the fields than in the classroom.

It is in rural areas that ignorance is most profound. Chinese authorities estimate that 35 per cent of the peasantry is illiterate, and nearly half the female population cannot read a newspaper or write a simple note. The English-language China Daily recently condemned parents for forcing their children to leave school prematurely.

"By sacrificing their education these shortsighted parents are marring the growth of their children," said the newspaper which reported that letters had been received from primary and secondary school students complaining of unusual pressure on them to enter the workforce.

The Government is particularly keen for technical schools to be built, as it believes there has been a bias against technical training. In 1984, there were 45.54m students in ordinary secondary schools compared with 3.7m at technical secondary schools.

Yu Fuzheng, an Education Ministry spokesman, said that in future *institutes*, which had been constrained by their obligations to local authorities, would have greater autonomy.

"On the whole, the general princi*ple is that higher education institu*tions will be more flexible in conducting their own affairs," Yu said. Asked where the money would come *from*, he stressed that China's desire to improve its education system depended heavily on the development of the country's economy.

The general principle is that education spending will rise per capita year by year – but that will not happen if the Chinese economy falters. In contrast, spending during the cultural revolution was cut from 1.37 per cent of the gross domestic product to 1.1 per cent.

One consequence of the power given to individual institutions will be to lessen the party's influence in the classroom, a move abhorred by the "corrupt traditionalist forces" and "leftists," as the opponents of the present leadership's line are called.

Chairman Mao had supported party intervention at every level of education and encouraged party members and "model students" to report on teachers and schools that were taking the capitalist road or were guilty of "revisionism."

A famous case during the cultural revolution was that of the outspoken 12-year-old girl, Huang Shuai, who kept a diary of the goings on at her school and in 1974 publicly alleged her teacher was a political miscreant. She was applauded for her virtue, as was the university student, Zhang Tiesheng, who handed in a blank examination paper in protest against the "bourgeois system" of education.

China's unskilled workforce has become painfully apparent to a government dedicated to modernising the country. Expertise is sadly lacking in areas ranging from engineering to commercial law.

One of China's elder statesmen, Bo Yibo, a longtime friend of Deng Xiaoping, told a gathering of 25,000 Peking teachers – who were addressed as "engineers of the soul" – at the Great Hall of the People that China had "two battles," revitalising education and improving its stan*dards of technology. "Unless* we fight these two battles, all our efforts to revitalise our economy will turn out a failure."

Authorities estimate that, if the modernisation goes according to plan, the country will need more than 20m qualified professional workers in the "short term," a demanding target in a country with just over 1.4m tertiary places at present.

To that end, the education reform focuses on technical and vocational training as the two most undernourished areas in China's curriculum. There is no enthusiasm for developing the liberal arts so popular in the West.

At the most basic level, nine years of schooling have been made compulsory, replacing the present six years, although the Government does not expect that the law can be fully implemented in city areas for six years and in rural areas for 10 years.

Already there is a squeeze for places. The Government estimates that about 95 per cent of primary school age children attend school, but there is room for only two *thirds of them in secondary schools.* Provincial governments have been urged to build the schools necessary to provide enough places for all students to get at least the nine *compulsory* years of schooling.

Individual students are likely to get more say in the choice of their course, and, perhaps, in the choice of occupation. According to Yu Fuzheng, "those students in the state plan (almost all) will be given assignments after graduation according to the state plans. But the scope of selection within the plan will increase for the individual."

Students will also be expected to contribute to the cost of their university education. Part of the government package is to remove subsidies for accommodation, living expenses and tuition fees.

In essence, the reform is going part way down the capitalist road. The Chinese *education* system had used the Soviet Union as a model but found the centralised system top-heavy. The intention is to lighten *the bureaucratic* load.

Eight years ago, Deng declared that education must "walk on two legs. We must recognise our backwardness, because only such recognition offers hope." *Deng is a little* closer to his goal of seeing the remedial China graduate.

Australian push for trade with Peking

By Our Peking Correspondent

HAVING CONTRACTED the warm inner glow that comes, in part, from exposure to the broad smiles of Chinese officialdom and a heavy round of banquet flattery, Mr John Dawkins, the Australian Trade Minister, recently left China with the conviction that Australian companies were not aggressive enough to capitalise on the work his Government had done in fostering relations with China.

He returned to Australia with indications from Chinese officials that Australian products would not suffer as China cut imports that have drained foreign reserves.

Nevertheless, the question of how long China can afford to run a large bilateral deficit with Australia is a matter for debate. Last financial year, Australian exports to China were worth A$1.05bn ($709.4m), up 73.4 per cent, while China's exports to Australia were only A$367m, up 21 per cent.

The difference between the two will not go unnoticed when China's economic planners are deciding how to grapple with the huge overall trade deficit of $7.89bn the country has managed to accumulate in the first seven months of 1985.

Direct trade between China and Australia in millions of Australian dollars (end of June to end June)

	Chinese exports to Australia	Australian exports to China
1981-82	284.73	602.53
1982-83	278.93	643.79
1983-84	311.62	606.43
1984-85	367	1,056

Source: Australian Department of Trade

Mr Dawkins explains: "My own view is that the existence of the imbalance is not going to be an impediment for the growth of trade between the two countries. We have indicated the kinds of action we are taking to improve Chinese sales to Australia."

We have also pointed out that the *kinds of things Australia can pro*vide to China are important to their modernisation, and will provide them with an opportunity to improve their sales to the rest of the world. *What we are able to do is* put the bilateral trade imbalance into a broader perspective, and I think that is a perspective they understand."

An interesting new twist in the Australian presentation during the week-long visit was the highlighting of indirect trade between the two countries through Hong Kong. That surplus is in China's favour, and the Australians obviously reckoned on scoring a few trade points out of it.

However, there are *few points* to be scored, as the Chinese refuse to recognise the Hong Kong trade as bilateral, and the balance in China's favour last year is estimated to be A$84m, only a small dent in the bilateral deficit.

Mr Dawkins realises Australia has the numbers stacked against it, and says he "pointed out" to Mr Zheng Toubin, Minister for Foreign Economic Relations and Trade: "there is no point in having a complicated discussion of statistics or *the basis of statistics.*"

AMERICAN NEWS

Nancy Dunne, recently in Iowa, examines the problems threatening the U.S. Farm Credit System

Banks buckle under weight of farmers' troubles

THE TEMPERATURE climbed to a sweltering 97 degrees in Des Moines, Iowa, last Friday and warnings went out that the heat posed a danger to the area's livestock.

The midday sun clashed *blindingly down on the golden* dome of the state capitol building, where politicians, bankers and farmers were gathered to examine the crisis which has engulfed the once-solid network of 800 U.S. co-operative banks and associations known as the Farm Credit System (FCS).

The system's troubles have been building all year as the *number of farm bankruptcies* has grown. The biggest defaults, to the network's land banks, are expected to hit this winter when the effects of low commodity prices and falling land values are felt by farmers, who were prospering only a few years ago.

Last week the system's regulators, the Farm Credit administration (FCA), asked Congress and the Reagan Administration to consider federal assistance. They say that without assistance they may be forced into liquidation within two years.

Mr Larry Speakes, the President's spokesman, said on Friday that the system must help itself as best it can from its own reserves. Mr John Block, the Agriculture Secretary, has been saying the same thing all summer.

On Wall Street, investors who hold the securities which have *provided the system with about* $74bn (£56.9m) in loans, were worrying about the 1985 loan losses—reportedly more than $800m—about the real size of the reserves set aside to cover the losses and about the *chances of a federal bailout.*

In Iowa, however, where financial disasters have become an everyday event, the concern was for the survival of the 70-year-old system as a farmer-owned, farmer-run co-operative. All FCS borrowers must buy stock in their local associations: theoretically they get in return a voice in the association's affairs. Regulation from Washington has been loose and barely needed over the years.

Producers, whose families had years on their local boards, nodded as their senator, Mr Charles Grassley, and Congressmen talked of the "subversion" of their system.

"It is a system gone mad, accountable to no one and led by a group of professionals establishing policies that could lead us down a path that would drastically affect rural America," *said Mr Tom Tauke,* an Iowa Congressman.

The FCS has targeted $340m for the troubled Omaha district banks, the second district of 12 to require a system bailout this year.

In return for the assistance, the regulators in Washington have required a merger of local associations, a 15 per cent reduction in staff and an increase of interest rates. Borrowers *have found their stock assets* frozen without their approval and local boards have been forced to relinquish their much-prized authority.

The bankers, facing more than four hours of questioning *last Friday, squirmed and* defended themselves. Agriculture is adapting, they said, from the "feed the world" expansionism of the 1970s to the surpluses of the 1980s. The banks, along with the farmers, "are trapped by the dramatic change in Government policy."

The Omaha district—encompassing Iowa, Nebraska, South Dakota and Wyoming—has been hit the hardest. Farm real estate, valued at $116bn in 1981, dropped to about $78bn by last June. The land banks alone expect to show a $150m operating loss this year, while the Intermediate Credit Bank of Omaha, which lends out short *and medium-term operating* capital, expects a $47m loss.

"Bank management does not have some grandiose plan to remove grassroots control," insisted Mr John Harling, president of the Farm Credit Banks of Omaha.

Mr Donald Wilkinson, governor of the FCA, said mergers between the associations were necessary to cut operating costs. He said members of solvent associations naturally did not want to help pay for the costs *of the troubled banks;* but such actions were necessary in a co-operative system, where all are jointly liable to repay bondholders.

The bankers' arguments were persuasive, but clearly much had gone awry in the system. Witnesses told of futile attempts all year by stockholders to discover the truth about loan losses from bank officials. They were first assured *of* the system's strength, then avoided, then coerced into co-operation, they said. As interest rates rose to compensate for loan losses, more farmers became overburdened by debt and headed for insolvency.

"When we took out loans, our farms were appraised," said Mr Russell Christensen, an Iowa farmer. "It was agreed that the collateral on the loan was that property. Now with land values sliding, bank representatives are being instructed to go after whatever else the borrower has when his loan becomes delinquent. If his home is all that is *left, that too* is demanded."

The blame for the system's troubles must be shared, said Mr Cooper Evans, an Iowa Congressman. The system itself was at fault in the last decade when "it set out to monopolise agriculture lending in the country, prompting aggressive and, in many cases, imprudent management practices."

The system should have gone to Congress at least six months ago *for* help—before raising *interest rates, freezing* stock assets and imposing restrictive credit policies, said Mr Evans.

Congress was wrong to allow the FCS to "liberalise" its lending conditions excessively, making the associations more vulnerable to declining land values, he said. The Administration has been at fault in insisting that the system does what it can out of its own reserves, he said. The resulting higher interest rates have led to increased delinquencies and falling land values.

Part of the system's problems are inherent in its unique co-operative structure. While stockholder involvement may have worked in the days before double-digit interest rates and, before the agriculture sector was contracting, it operates poorly when the "stockholder borrowers" must deny themselves and their neighbours the credit which their banks can no longer afford to give.

If there was a point of agreement in Des Moines, it was that the key to the banks' salvation is improved farmer income. However, in its proposal for the 1985 Farm Bill, the Administra*tion* has called for "a removal of the Government from agriculture" and lower price support payments.

While the ripple effect of a system failure is not yet clear, some kind of rescue scheme is necessary—and soon. FSC securities are closely tied with the entire American financial network.

After the bailout of Continental Illinois and what some farmers perceive as the bailout through the International Monetary Fund *of the over*-extended New York banks, the Administration may find it cheaper and more politically acceptable to help the nation's 2.2m farmers than to pay for the misjudgments of the Government and still another group of bankers.

First came the Band Aid recording to raise money for the starving in Africa; then the momentous day-long two-continent star-studded Live Aid concert. Now American celebrities are aiming to raise $40-$50m for the struggling U.S. farmer.

The all-day event, organised by such *luminaries* as musicians Kenny Rogers, Merle Haggard and Bob Dylan, is scheduled for September 22 in Champagne, Illinois. The $17.50 tickets in the 77,000-seat stadium were sold out in three days and the concert will be syndicated to television stations across the country.

Organisers say they still do not know how the funds will be distributed but singer Willie Nelson is taking in suggestions. Meanwhile, Mr Haggard, through his friendship with President Reagan, is organising a whistlestop train journey from California to Illinois to do fundraising in advance of the concert.

Reagan bid to fend off protectionist moves may misfire

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan's bid to fend off protectionist pressures in Congress by working out a trade legislation package with Republicans on Capitol Hill, is perceived by some trade experts to be a strategy which could misfire.

The President's move this week is also seen here as a step which could weaken the position of U.S. officials in their talks with their opposite numbers in both the developed and developing world at the *annual* meetings of th International Monetary Fund and the World Bank of Seoul in early October.

The White House has confirmed reports earlier this week that it is working with Senate Republicans in an effort to give the Administration increased authority to act against unfair trade practices by foreign countries, to defend U.S. companies against counterfeiting and the pirating of American copyrights and patents, and to match export subsidies which its trading partners grant.

The Administration's move is widely seen as an effort to erode support in Congress for clearly protectionist legislation by launching on Capitol Hill a proposal which non-protectionist proposal which emphasis non-protectionist steps.

But even Republicans on Capitol Hill who support this step, including Senate majority leader, Robert Dole, are warning that it may be too late to halt the protectionist bandwagon. After a meeting with the President at the White House on Tuesday, Senator Dole said that they had agreed to work on a "meaningful legislative initiative" on trade.

"I do not believe that we can conceive of any plan" to "*stop* all the action," he added.

One danger in the administration's strategy is that amendments will be attached to the legislation it supports. This, it is suggested, is more likely to happen in the Democrat controlled House of Representatives.

Although the timing of moves on Capitol *Hill* to start pushing protectionist legislation through the legislative process is uncertain, there is speculation that a Bill to curb textile imports could be introduced into the Senate next week *attached to legislation expected* to move out of the House of Representatives. The House is constitutionally empowered to originate legislation dealing with taxes and trade.

Pinochet condemns opponents

By Mary Helen Spooner in Santiago

GENERAL Augusto Pinochet of Chile has issued a strong condemnation of his opponents in a speech marking his 12th year in power. He called the political parties' recent accord urging a transition to democracy "an act of naivety."

General Pinochet reiterated his determination to uphold Chile's 1980 constitution, which extends his term in office until 1989 and provides for a military selected candidate, possibly General Pinochet, to run for another *eight year term in a refer*endum after this period.

Brazil to press IMF case

BY ANDREW WHITLEY IN RIO DE JANERIO

SR DILSON FUNARO, the new Brazilian Finance Minister, is to travel to Washington this Sunday to try to persuade the International Monetary Fund to ease significantly the domestic adjustment programme being demanded of Brazil.

Instead of concentrating the entire adjustment effort on 1986 alone — as is presently envisaged — the new Brazilian economic team will press instead for a 24- to 36-month programme. The adjustment programme *is being demanded* in return for a new standby loan.

A follow up mission at senior official level is scheduled to resume talks with the Fund's technicians later in the week to *discuss* the recent deterioration in the domestic economy and go over target figures for 1986.

In his first direct contact with M Jacques de la Rosiere, IMF *managing director, since* taking office two weeks ago, Sr Funaro will argue that the Fund's demand that Brazil achieve a 4 per cent operational surplus on its public sector accounts in 1986 is out of the question.

However, *as evidence of its* declared seriousness of purpose in trying to reach agreement with the Fund, Brazel will propose instead a 2 per cent surplus target. This compares with an officially expected deficit this year of 1.5 per cent.

The 1.5 per cent figure, the same as in 1984, would mean that Brazil would have made no progress on restoring *its public* sector accounts to financial health during 1985. More disturbing, the accuracy *of* this estimate is privately challenged by some officials—one figure from a senior central bank official suggests that the 1985 deficit could be as high as 4.5 per cent.

The scale of the adjustment effort required on the big deficit in the public sector accounts has been at the heart of Brazil's on and off negotiations with the IMF for the past year. The new economic team headed by Sr Funaro recognises the importance of getting the deficit down

It is also concerned not to deflate the domestic economy too far, to jeopardise the key political target of 6 per cent *annual growth* over the next few years.

Giscard provides testimony in Argentine juntas' trial

BY JIMMY BURNS IN BUENOS AIRES

FRANCE'S former President Valery Giscard d'Estaing has provided written testimony in the trial of Argentina's former military juntas which apparently throws light on the involvement of the accused in human rights violations following the 1976 military coup.

The testimony, written at the request of the prosecution, was delivered to the Argentine Embassy in Paris on September 4. It describes a meeting M Giscard had with former junta member Admiral Emilio Massera in November 1978 during which the French President was given a list of French citizens who had been detained or gone missing in Argentina.

M Giscard was told that some of the people, including two nuns Sister Alice Domon and Sister Leonie du Quet were dead after being held by the army. A letter from M Giscard and the list of names has been incorporated as evidence against the junta by the prosecution.

The testimony contradicts statements made by Admiral Massera to a court martial board judging the juntas. He has said *that he has never been shown* any papers or documents by the former French President.

Admiral Massera's attempt to shift the blame on to the army, is expected to be used by the prosecution to drive a wedge through the 22-man council defending the nine former junta members against charges ranging from illegal detention to murder.

M. Giscard's testimony coincided with the first day of the summing up in the trial by state prosecutor *Sr Julio Strassera.*

The accused, including former President Generals Jorge Videla, Roberto Viola and Leopoldo Galtieri, were present in court for the first time since the trial began on April 23.

Bolivia calls in troops to ease strike paralysis

THE BOLIVIAN government has turned over airports, petroleum plants, telephone centres and railroads to military control, AP reports from La Paz. It said anyone who interfered with *their operations* would be tried by military courts.

The measures were adopted on Wednesday in response to an indefinite general strike called by the Bolivian Workers' Central that has virtually paralysed business and industrial operations.

The strike has closed schools, mines, factories, banks, railroads, domestic airline flights, long-distance telex and telephone communications and railroads. *International flights have* resumed but reservations systems are not working because of the strike,


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WORLD TRADE NEWS

Disputes loom over Britain's approach to a new round

UK tries to get its priorities right

BY CHRISTIAN TYLER, TRADE EDITOR

BRITISH MINISTERS have dutifully supported American efforts to have a global trade negotiation launched.

Their support is consistent with party dogma. It has been mildly qualified by a fear of alienating the developing countries who are suspicious of the U.S. But it is also, say opposition spokesmen, wholly uncritical and heedless of Britain's real industrial plight.

At this early stage, most countries have only a hazy idea of their specific negotiating objectives, although most agree that it would be dangerous to wait much longer. Not until the end of the month, when member nations of the General Agreement on Tariffs and Trade (Gatt) meet in special session in Geneva will it be clear when and how the attempt to dismantle the world's worst import barriers can begin.

Britain's priority, according to the senior trade negotiator, is to save the Gatt system from being swamped by the protectionist tidal wave gathering in the U.S. and elsewhere.

Any expansion of world trade should in theory improve the lot of a country like the UK whose ratio of exports to gross domestic product has risen to more than 32 per cent.

Of the specific bargaining subjects, it is trade in invisibles that interests Britain most. The U.S. efforts to put services on the Gatt agenda suits Britain well. Her net foreign earnings from services — running at some £500m a month — have become indispensible to cover a large and rising deficit on trade in manufactures. When North Sea oil runs out, services could become more important.

Officials recognise, however, that there may have to be a separate and parallel Gatt negotiation on services, ending perhaps with a voluntary code rather than firm rules. The Department of Trade and Industry has commissioned research on the applicability — or not — of existing Gatt rules to the invisible sector.

Hardly answered however, is the question of what Britain can give in return for concessions by others; only about 13 per cent of British manufacturing industry, says the DTI, is sheltered by non-tariff barriers.

Would the British motor industry, for example, be ready to sacrifice its 10-year-old arrangement with the Japanese whereby the Japanese take no more than 10-11 per cent of the UK car market.

Probably not, said an economist at the Society for Motor Manufacturers and Traders. Indeed, he claimed that because the arrangement was only a "voluntary understanding," it would be untouched by any Gatt decision to phase out so-called voluntary restraint arrangements (VRAs).

Britain, of course, will be negotiating under the umbrella of the EEC—which has both advantages and disadvantages. The Confederation of British Industry (CBI) seems to hope, for instance, that concessions made by the EEC would cost other members more than they would cost Britain

On the other hand, the CBI sees a danger that the EEC will fail, as in so many other areas —to arrive at a strong common negotiating stance and will end up meekly signing a Gatt accord whose terms are dictated mainly by the U.S. and Japan.

In matters of trade policy, British industry—as represented by the CBI at least—is broadly following the line of the Conservative Government. But its emphasis already is more clearly on "fair" rather than merely "free" trade. It wants Britain to retain the right to protect industries in extreme cases, and to continue voluntary restraint agreements unless a better defence against "damaging" imports can be arranged.

Needless to say, the Labour opposition regards this as too weak a negotiating position for a country that on some calculations could be heading for an overall trade deficit in only 18 months' time.

Mr Bryan Gould, trade spokesman, said a Labour Government would not rely entirely on import controls (he prefers tariffs to quotas) but on a combination of controls, exchange rate management, industrial policy, planning agreements,

The Labour Party foresees trouble with the EEC if Britain tries to increase tariff protection for strategic industries—and it is, of course, with the EEC that Britain has the big manufacturing trade deficit.

Undeveloped as it still is, Labour's trade policy looks curiously like that of President Ronald Reagan in the U.S.—calling for maximum liberalisation, but taking protective action when the competitive heat gets too great.

Labour's emerging trade policy matters: by the time a Gatt negotiation gets seriously under way, it could be the party in power—and the EEC's posture could be more complicated, and less liberal, than it is today.

The previous articles in this series appeared on July 2, 12, 18, 24, August 1, 9, 14, 23 and September 3.

Greeks sign plant deal with Soviets

By Andriana Ierodiaconou in Athens

THE FINAL agreement for a $450m joint Greek-Soviet alumina plant project is to be signed in Athens today, bringing years of tortuous negotiations to a close. The Greek Economy Ministry says the venture is the most significant industrial investment in Greece for a decade.

Negotiations were launched in the 1970s, under a Conservative Administration, and the deal was actively promoted by the Greek Socialists who came to power in 1981.

The agreement will be signed by the state run Hellenic Industrial Development Bank (ETVA) and the Soviet companies Tsvetmetpromexport which will be responsible for the overall technical supervision of the project and Razno Import, which will handle the import of alumina into the Soviet Union for processing into aluminium.

Under the agreement, the Soviet Union will utilise 380,000 tonnes of the plant's projected 600,000 tonnes annual alumina production, using Greek bauxite. Bulgaria may use the balance of the output and discussions are in progress.

The price of the alumina, which is to be paid in hard currency, will be computed on the basis of an agreed basket of U.S. and European prices. According to Greek estimates, if applied today the formula would yield a figure of approximately $200 a tonne: considerably higher than the current alumina spot price.

Soviet technical advisers will go to Greece for the construction of the plant,

The proposed plant site, along the northern coast of the Gulf of Corinth has aroused some concern among environmentalists who fear damage to nearby Delphi. The site was selected for its access to port facilities and the bauxite mines.

Swedes in U.S. enzyme joint venture

By Tony Jackson

PHARMACIA, the Swedish drug company, is to set up a joint venture with the U.S. biotechnology company Chiron Corp to produce an enzyme claimed to reduce tissue damage caused by heart attacks and other interruptions of blood flow.

Chiron, based in Emeryville, California, will produce the enzyme for trials and retain the right to bulk manufacture thereafter.

Pharmacia will contribute its pharmaceutical data, and will distribute the product through its sales network round the world should the project prove successful.

Animal studies appear to show that the enzyme, known as human superoxide dismutase (HSOD), can protect tissues from the damage caused when blood supply is resumed after a period of interruption.

Suggested uses are in heart atacks and major heart surgery, and in organ transplants.

In the development stage, Pharmacia will take responsibility for work on regulatory requirements.

Daewoo given go-ahead for GM link-up

By Steven B. Butler in Seoul

THE Daewoo group of South Korea announced yesterday that it received final Government approval for two new joint ventures with General Motors of the U.S. that will involve some $120m (£85m) of initial investment for the production of automobile components.

The new ventures are GM's third and fourth in South Korea, and they add momentum to that country's emergence as a centre for world automobile production.

The ventures will supply components for a new subcompact car that Daewoo Motor—a 50-50 joint venture between GM and Daewoo—will begin producing in 1987.

About half the company's annual production of 167,000 cars is for export.

One of the ventures is between Daewoo Precision Industries, which will invest $18m of equity capital, and GM's Delco Moraine ($3m), Harrison Radiator ($9m) and Saginaw Steering Gear ($6m) divisions.

The venture to be called DHMS Industries, will build a $100m plant near the city of Taegu in South Korea for the production and assembly of steering gear, axle, brake, radiator and air-conditioning components.

The second venture, to be called Koram Plastic Company, is between Korea Steel Chemical Company (Kosco) which is a Daewoo subsidiary, and GM's Fisher Guide division, each investing about $3.25m. The company will manufacture polyurethane bumpers.

In addition to supplying original equipment for the joint venture car, the companies hope to develop the market for automotive components in the Asia-Pacific region.

U.S. presses Portugal for quotas on textiles

BY DIANA SMITH IN LISBON

THE U.S. is pressing for Portuguese makers of cotton sheets and pillow cases and some types of shirts to agree to restrictive annual quotas on the volume of their exports to America.

These products are occupying what U.S. manufacturers consider a harmful share of the market.

In high-quality pure cotton bed linens, bought by householders rather than hotels or hospitals, Portuguese products have taken about 20 per cent of the market, allegedly biting into the sales of U.S. mills whose output is dropping.

Portuguese manufacturers and trade officials are rejecting U.S. appeals to agree to quotas, which could be reviewed upward annually.

As non-members of the Multi-Fibre Arrangement (MFA), they have had unlimited access to U.S. markets.

Overall, Portuguese textile and clothing exports account for a tiny share of the U.S. market – less than 1 per cent.

As a result, Portuguese officials and manufacturers are reluctant to accept U.S. appeals for restraint, and the matter may be referred to the General Agreement on Tariffs and Trade (Gatt) forum.

Portuguese textile manufacturers, who have invested heavily in modern machinery quality control and better fashion design in recent years to enable them to compete up market in textiles, are highly sensitive to calls for restraint.

They are still smarting at the three-year quotas they will have to accept on their textile exports to the European Community after Portugal becomes a full member on January 1 1986.

Portuguese exports to the U.S. have grown steadily each year, because of more energetic marketing and better U.S. knowledge of the range of goods Portuguese industry can offer.

Overall, exports rose to $518.7m in 1984 – a 17 per cent increase over 1983.

BAe awarded $150m order by Hawaiians

By Michael Donne, Aerospace Correspondent, in London

BRITISH AEROSPACE has won an order for eight of its Type 146 four-engined regional jet airliners from Hawaiian Airlines of Honolulu, with two more on option. The order is worth in all well over $150m including spares.

The first aircraft will be delivered in November, 1986. The deal brings total orders and options for 146s to more than 90 aircraft, of which 30 have been delivered to operators in North and South America, Africa, Australia and Britain.

Mr John H. Magoon Jr, chairman of Hawaiian Airlines, said his airline had selected the 146 because of its advanced technology and its short take-off and landing characteristics, which suit operations in the Hawaiian Islands.

The 146s will replace U.S.-built McDonnell Douglas DC-9-80s currently in service on Hawaiian's inter-island routes.

UK NEWS

Rail talks appear deadlocked

BY DAVID THOMAS, LABOUR STAFF

RELATIONS between the National Union of Railwaymen (NUR), the biggest rail union, and British Rail (BR) appeared deadlocked last night after a special delegate conference of the NUR agreed to talks with BR on driver-only trains but failed to allow broader productivity issues to be discussed.

As a result, BR indicated that the 250 guards dismissed for taking industrial action over its attempts to introduce driver-only trains would not be reinstated.

The special conference was called after a ballot two weeks ago on national industrial action on the driver-only issue rejected the NUR executive's recommendation for such a move.

British Rail had made clear in advance that it required talks on productivity generally before there was any question of reinstatement. But the NUR executive decided the conference should concern itself only with the narrow issue of driver-only trains.

The resolution, passed 66-11 by the delegate conference after four hours of debate, referred solely to the driver-only issue.

It instructed the union's national executive to "enter into negotiations with the British Rail board on driver-only operations – passenger and freight."

The decision was taken as more than 5,000 signal and telecommunications technician members of the NUR began voting on industrial action aimed at BR's latest productivity proposal to reorganise signal maintenance work in a move that will result in the loss of about 500 jobs.

The outcome of the ballot will be known next Thursday and BR may await the result before entering serious negotiations, in the hope that a vote against action will finally destroy the NUR's resistance to across-the-board productivity discussions.

Mr Geoffrey Myers, vice-chairman of BR, has welcomed the conference's agreement to discuss driver-only trains, but emphasised that BR was seeking "an assurance that the executive is free to talk to us about productivity issues as and when necessary."

Stock Conversion's bid for funds faces Stockley veto

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

STOCKLEY, the Jacob-Rothschild-backed property company, is to veto a crucial board resolution due to be put before next week's extraordinary general meeting of shareholders in Stock Conversion, the property group in which it holds a 26.5 per cent stake.

The move will further strain the uneasy relationship that has existed between the two companies since Stockley acquired its shareholding in April.

It will also heighten speculation about a possible full-scale bid by Stockley for Stock Conversion, one of the UK's biggest property groups.

Stock Conversion requires 75 per cent shareholder approval for any special resolutions. Mr Michael Broke, chief executive of Stockley, said last night: "The resolution, parts of which we support, will fall. I am more than a little surprised that Stock Conversion should put it forward, knowing that it requires our consent, without first asking us for our views."

At next Tuesday's meeting Stock Conversion directors will be calling on shareholders to pass a composite resolution that would increase the group share capital from £13.25m to £52m, agree a two-for-one capitalisation issue, permit the issue of further shares without seeking shareholders' approval and appoint Mr Joe Levy, one of the co-founders of Stock Conversion, as president.

Mr Broke said that Stockley did not wish to obstruct Stock Conversion's development but it was not in favour of its expansion via the issue of equity at a time when the share price was running well below net asset values.

Stock Conversion shares have recently shown a discount to net assets per share of about 15 per cent.

Stockley is also objecting to the Stock Conversion directors' attempt to seek rule changes enabling them to issue share capital, for any reason, without first obtaining the consent of shareholders.

The move is being seen as a way of preventing Stock Conversion from diluting its unwelcome shareholder's stake by issuing equity to purchase other property portfolios or quoted companies, which the group has been considering.

Stockley has said it will not decide about launching a full bid until October and Mr Broke would say no more on the company's plans.

Last night there was no reaction available from Stock Conversion.

● The next director-general of the City of London's Takeover Panel is to be Mr John Walker-Haworth, aged 40, a director in the corporate finance department of merchant bankers S. G. Warburg. He will be on a two-year secondment, Barry Riley writes.

He is to succeed Mr Tim Barker with effect from December 9. Mr Barker will be returning to Kleinwort Benson.

Mr Walker-Haworth is comparatively little known in the London corporate finance business. Earlier this year he completed a three-year spell as managing director of East Asia Warburg.

Occidental makes big North Sea discovery

OCCIDENTAL Petroleum, the U.S. oil company, has made a major North Sea oil discovery 110 miles north-east of Aberdeen, Scotland.

The discovery well, in Block 15/17, flowed at over 13,000 barrels a day of oil and almost 30m cubic feet of gas a day from two zones.

It is believed that the discovery, which lies about seven miles south-east of Occidental's prolific Piper field, might have unearthed a new oilfield of about 100m recoverable barrels of oil.

It would be easily Occidental's biggest North Sea oil find since it discovered the Piper and Claymore fields in 1973 and 1974. Occidental said yesterday the success was the result of its greatly increased North Sea exploration programme over the past two years.

Further wells will have to be drilled on the prospect before its full extent is known, but the proximity of the find to the producing Piper field will make for a straightforward and cheap development, tied in to the existing Piper infrastructure.

Occidental said the successful well, designed 15/17/13, flowed 3,850 barrels a day of very light oil and 24.7m cu ft of gas a day from the lower zone, and 9,200 barrels of oil and 4.7m cu ft of gas a day from the higher zone.

□ COVENTRY CABLE, a multi-channel cable television station, has been formally launched. It has 500 subscribers – the best start so far for a new cable operator.

Several hundred people were connected on an experimental basis earlier in the summer and, according to Mr John Ross-Barnard, chief executive, all have signed a one-year contract.

"I think this is a very important start. It is an early indication of the response to cable in Coventry," Mr Ross-Barnard said.

Coventry is the third of 11 new cable companies chosen by the Government in November 1983 to get going. The first two are in Swindon, where the company is building on to an existing network, and Aberdeen, in Scotland.

□ A REPORT on the events leading up to the riot in Handsworth, Birmingham, and the way the police reacted to it, is to be prepared by Mr Geoffrey Dear, chief constable of the West Midlands, in association with one of the Home Office inspectors of constabulary.

That was decided at a Cabinet meeting yesterday presided over by Mrs Margaret Thatcher, the Prime Minister, where Mr Douglas Hurd, the Home Secretary, reported on the rioting and looting in which two Asians died.

□ BRITISH AIR FERRIES, the UK's largest purely internal airline, is seeking to extend the 30-year life of its fleet of turboprop Viscount aircraft ahead of its planned entry to the unlisted securities market next year. The aircraft fly mainly to the Channel Islands.

The proposal, if successful, might lead other small airlines to opt for low-capital-cost Viscounts to serve routes that would be uneconomic with more expensive, recent-model aircraft.

□ THAMES TELEVISION, the largest independent television company, has asked Baring Brothers, the merchant bank, to draw up plans for a partial flotation next year.

The aim is to seek a full London Stock Exchange listing for about 20 per cent of the Thames shares.

A final decision on whether to go ahead with the partial flotation – possibly in the spring – has not yet been taken by the Thames board.

□ STERLING-WINTHROP, the UK subsidiary of Sterling Drug of the U.S., will cut 120 jobs at its site in Chapeltown, South Yorkshire.

John Lewis profits up 25% in first half

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE John Lewis Partnership of department stores and supermarkets yesterday reported a trading profit up by 25 per cent to £35.1m in the six months ending July 27.

The company also announced record sales figures for the half year of £634.1m compared with £557.6m in the same period last year.

John Lewis is an industrial democracy owned by its 27,000 employees, who each receive an annual bonus as a percentage of their salary according to the company's profitability.

In the past half-year, the trading profit of £35.1m was reduced to £27.4m after allowing for interest and a contribution, to the pension fund of £5.5m. That level of pension contribution was to meet the extra cost of linking pensions to prices as recently agreed with staff.

Mr Peter Lewis, the company's chairman, said yesterday that sales had been "handsomely ahead" of the national increase in retail spending. Sales through the 78 Waitrose supermarkets were up by 14 per cent to £310.3m while the 21 department stores had a sales increase of 13 per cent to £315.4m.

"The summer may have been remarkably unseasonal and disappointing from some points of view but the Partnership's stocks and margins have been well controlled and there was only a small increase in interest payments on our borrowings," added Mr Lewis.

He said prospects for the second half-year were, at this stage, quite promising. "Retail sales are very strong nationally and the Partnership's weekly figures for August and September fully reflect that," he said. "If it stays this way through the autumn, the Partnership should complete a good year."

Data General to open Cambridge centre

BY JASON CRISP

DATA GENERAL, the U.S. minicomputer manufacturer, will set up its European development laboratory in Cambridge, north of London. The new facility is expected to employ nearly 50 people who will concentrate on developing communications facilities for its computers and adapting products for the European market.

Data General considered other European countries for the facility, including West Germany and France. The company said it chose Cambridge because of the number of science-based undergraduates at Cambridge University, the lower cost of living and improving communications.

Data General, one of the world's largest suppliers of minicomputers, has been hit by the downturn in the computer industry and recently reported a loss in the third quarter. The company's past financial performance has been volatile, but it has always spent a high proportion of its revenue on research and development.

The company has four research and development centres in the U.S. including Boston, Massachusetts and one in Japan. It said the new Cambridge laboratory would initially provide local support for third-party software available on the company's computers.

Morgan Grenfell to restructure group

BY JOHN LLOYD, CITY CORRESPONDENT

MORGAN GRENFELL, the merchant banking group, yesterday unveiled its new corporate structure for operating in Britain's remodelled financial community.

Last year Morgan Grenfell formed equity links with Pember & Boyle, a leading broker in British government securities, and Pinchin Denny, the stockjobber or market maker, which is to form the core of its new securities operations.

Morgan Grenfell in the future is to carry out its business around three principal companies. These are: Morgan Grenfell & Co., which will operate the banking activities; Morgan Grenfell Securities Holdings, in which securities trading will be carried out; and Morgan Grenfell Asset Management, for investment management and advisory activities.

These companies, according to Morgan Grenfell executives yesterday, "will be of equal and parallel status as direct subsidiaries of the group parent company, Morgan Grenfell Holdings."

Mr Christopher Reeves, group chief executive, said yesterday: "It is almost inevitable that conflicts of interest will be perceived in a group that engages in both securities dealing and investment management and is one of the City's foremost issuing houses and advisers on mergers and acquisitions.

"Separation of the day to day management and physical location of those three distinct functions is therefore implicit in the new group structure."

● Smith Bros, the stockjobber, is extending the list of shares in which it makes markets on the London Stock Exchange. From the end of this month Smith Bros intends to deal in the shares of 62 additional UK quoted companies.

The move represents one of the biggest increases in a market makers' trading book in British equities, other than through the merger or acquisition of firms.

Capital spending by industry drops 15%

FINANCIAL TIMES REPORTER

A DROP in business investment in the second quarter of this year after the surge in capital spending in the first three months was confirmed yesterday by revised official figures.

The Department of Trade and Industry said final figures show capital expenditure by manufacturing, construction, distribution and financial industries fell by nearly 15 per cent in the three months to June.

The fall, however, followed an increase of nearly the same amount in the first quarter, as companies rushed to take advantage of the more favourable tax treatment of capital spending in the 1984/85 tax year which ended on April 5.

The department pointed out that if the two three-month periods were taken together, investment was 7 per cent above the preceding two quarters.

Separate revised figures show industry began to rebuild its stocks in the second quarter of the year after the sharp reduction between January and March.

UK NEWS

Tourism 'could create 70,000 jobs each year'

BY RICHARD EVANS

CURRENT growth trends in Britain's tourist industry might create a record 70,000 jobs each year, according to the British Tourist Authority (BTA).

The industry already creates 50,000 jobs a year and brings in over £5bn in foreign exchange, but that might increase sharply next year if growth trends continue.

In the first six months of this year, the number of foreign visitors increased by 11 per cent and their spending was 28 per cent higher than in the corresponding period of 1984.

"This is the biggest growth ever recorded in the history of British tourism . . . and it augurs well for the future," Mr Duncan Bluck, chairman of the BTA, said yesterday.

Mr Bluck reported a record performance for 1984, which saw an increase of 10 per cent in overseas visitors to almost 14m and a rise of 13 per cent to £5.3bn in the amount they spent in the UK.

He argued that if the BTA received an extra £5m from the Government, in addition to the current grant of £16.9m, it might attract an extra £10m from the private sector to help to market Britain abroad in 1986. He believed that would increase the money spent in Britain by tourists by £250m.

His plea for more cash reflects disappointment at the failure of Lord Young's report on tourism earlier this year to recommend higher government spending.

Mr Bluck declared: "If the increase in [tourist] spending is maintained at the rate achieved during the past two years, which will certainly be the case in 1985, then the rate of job creation could easily increase to 70,000 or more jobs per annum."

He said the BTA expected 15m tourists this year and forecast 17m visitors by 1988, spending £8bn.

Mr Bluck said tourism faced problems of attitudes among opinion formers, central and local government, employers and employees, developers, investors and the public.

"It is important to recognise how vital this industry is to Britain, both in terms of wealth creation and, more particularly, job creation," he said.

The BTA is making changes in 16 of its overseas offices in 1985, including the establishment of new offices in Miami, Hong Kong and Dublin, and the strengthening of others.

Skyship 500 wins passenger licence

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRSHIP Industries, the UK-based, but majority Australian-owned manufacturer of lighter-than-air craft, has won its Air Operators' Certificate from the Civil Aviation Authority clearing it to carry passengers in its Skyship 500 craft within Western Europe.

Mr Alan Birchmore, managing director of Airship Industries, said the certificate was an "important endorsement."

"We now have the right to carry on business as an airline, in the same way as British Airways or any other operators, if we wish to do so," he said.

The company now has eight airships flying – five of the Series 500 class, and three of the bigger 600 series. The latest Series 600, capable of carrying up to 20 passengers, is due to fly from Cardington, north of London, this month.

Airship Industries was awarded a Certificate of Airworthiness for the Skyship 500 craft in 1984, which enabled the company to generate revenues from leasing and airship sales.

Airship Industries, owned by the Australian Bond Corporation, plans to seek a new quotation on the London Unlisted Securities Market

Campaign to keep Ravenscraig steelworks suffers setback

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

A SIGNIFICANT crack has appeared in the unity of a powerful lobby that has helped to preserve the Ravenscraig steelworks at Motherwell in Scotland.

Mr George Younger, the Secretary of State for Scotland, and key man in the campaign, has accepted last month's announcement that the Gartcosh rolling mill, part of the Ravenscraig complex, should shut, with the loss of over 700 jobs.

To the campaigners, that means accepting the long-term closure of the main Ravenscraig strip steelworks and the loss of work for its its 4,000 employees.

Mr Younger defended Ravenscraig against both the state-owned British Steel Corporation and other members of the Government in 1982 when they wanted to shut the mill to stem BSC's losses. His role has been crucial and carried out at considerable political risk to himself.

The campaigners emphasise that their case for Ravenscraig is economic and industrial. But it is also very much a political issue. So what is behind the decision of Mr Younger to agree to the closure of Gartcosh?

On the face of it, the big Scottish steel mill will face a big amputation, its main production line for finished steel in Gartcosh removed.

For some in Scotland, Mr Younger has bought a reprieve of the central Ravenscraig operation at the cost of Gartcosh. According to the rationalisation programme announced by BSC last month, all five of its integrated steel mills will be kept going for three years – including Ravenscraig. Gartcosh, representing an estimated saving of £1m, was the loser in the general attempt by BSC to put its plant configuration and output throughout Britain in order.

British steel production last month was almost 12 per cent higher than in the same month last year, according to figures from British Steel and the independent steelmakers. At 274,200 tonnes, average weekly output reverted to the recent upward trend, which was interrupted by a modest fall in July.

For the year so far, weekly output is running at levels about 4.6 per cent higher than in 1984.

Mr Younger has agreed to the BSC view that Ravenscraig's output can be shipped to the Shotton works in Wales, where there is a promising market for coated steel. He has also accepted BSC's decision to halt any expenditure on coke ovens, including the £90m needed to renew the ovens at Ravenscraig. BSC has put its faith in technical developments that might bypass coke production through the direct injection of coal into the furnaces.

The corporation believes the use of silica welding can extend the life of the coke ovens and stave off the need for urgent replacement.

The support for Mr Younger from within the Confederation of British Industry in Scotland is also significant.

The "Save Ravenscraig" campaigners do not appear too disheartened and hope to win Mr Younger back to a position of maintaining Gartcosh as an integral part of Ravenscraig. A well oiled mechanism to gain backing for the big Scottish mill is now in full operation, with public meetings, lobbying and publicity drives. The campaigners want to update their campaign to refute British Steel's reorganisation plan, announced last month.

Mr Donald McCallum, chairman of the Scottish Council, Development and Industry, an independent lobby group, this week called on British Steel to say whether it planned to close Ravenscraig eventually.

According to Mr Tommy Brennan, the local union official at Ravenscraig, the closure of Gartcosh would be similar to an abortive plan put forward by Mr Ian MacGregor, when he was head of British Steel, to use Ravenscraig purely as a source of crude steel for shipment to the U.S. for finishing.

One weakness of Gartcosh – which takes about a third of Ravenscraig's output – is that it is 12 miles from the main works, whereas rolling mills are part of the steel complexes of Llanwern and Port Talbot, Ravenscraig's rivals.

Distance works against the mill in a much more telling way in that the vast majority of its production must be shipped south of the English border to customers. That adds £10 to every tonne of coil steel.

Mr Brennan rejects the arguments that £11m would be saved by shutting Gartcosh. He says that must be set against the £130m the Government has spent to buy and close the Alpha steelworks, the £100m to refurbish Llanwern and the £20m for a reheating unit at Port Talbot.

"Is this protecting the taxpayers' money?" Mr Brennan asks. He feels that Ravenscraig customers have been hard fought for and that these cannot be easily picked up by production of finished steel from the Welsh rolling mills.

Alcan plans £10m investment

BY ROBIN REEVES

BRITISH Alcan Sheet yesterday unveiled plans for investing a further £10m at its Rogerstone aluminium rolling complex, South Wales. This is in addition to a £4.25m programme announced earlier

The new investment is subject to Rogerstone's 1,330 employees agreeing to changes in working practices and a phased loss of 200 jobs during two years, and to the availability of government selective financial assistance.

However, if the new programme is implemented, British Alcan Sheet said there was also the possibility of a second phase of capital investment worth another £10m, spread between Rogerstone and its other rolling mill at Falkirk, Scotland.

The programme announced yesterday includes investment to cut operating costs by increasing aluminium coil size, improving slitting capability and expanding Rogerstone's pre-heat capacity in hot-rolled coil production – a long-standing bottleneck in its efforts to reduce unit costs by increased throughput.

Mr Brian Kemp, British Alcan Sheet managing director, stressed that without the planned investments, Rogerstone would not remain viable in the long term. "They will reduce the costs base and help get the plant in shape for the 1990s," he said.

Pledge by Labour on textile investment

By John Hunt

LARGE-SCALE investment in the clothing and textile industry through the proposed National Investment Bank is the main plank in a new policy for the industry published by the Labour Party yesterday.

The investment would be coupled with a reduction in imports by negotiating a tough multi-fibre agreement and by encouraging multinationals to invest more in new technology in British plants.

"Britain must not retreat any further out of the textile and clothing industry," Mr John Smith, Labour's trade and industry spokesman, said when he launched the document.

It was endorsed by Mr Alec Smith, general secretary of the National Union of Tailors and Garment Workers and Mrs Lilian Hopkin, president of the union.

They declined to set a figure on the amount of new investment needed but said it would be far more than the £20m brought forward under the present Government's cloth-aid scheme.

Financial assistance, which would also be channelled through local enterprise boards, would be in the form of equity and long-term loan capital.

The scheme proposes that the Government, working through the National Economic Development Council (NEDC), should ensure major retailers developed long-term relationships to support firms supplying them with clothing.

The intention is that this would lead to domestic substitution for imported goods.

The document envisages that management and unions would have to draw up long-term development plans together to qualify for finance.

This would include proposals for design, training, management, marketing and new technology. It would entail policies for ethnic and sex equality.

A Labour Government, it says, would insist on companies making use of British design talent, much of which goes to Italy at present.

BASE LENDING RATES

A.B.N. Bank	11½%	■ Hambros Bank	11½%
Allied Dunbar & Co.	11½%	Heritable & Gen. Trust	11½%
Allied Irish Bank	11½%	■ Hill Samuel	§11½%
American Express Bk.	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Amro Bank	11½%	Johnson Matthey Bkrs.	11½%
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	12 %
Banco de Bilbao	11½%	Lloyds Bank	11½%
Bank Hapoalim	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Girobank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid. East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co. Canada	11½%
Citibank NA	11½%	■ J. Henry Schroder Wagg	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
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Consolidated Credits	11½%	Westpac Banking Corp.	11½%
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* 7-day deposits 8.00%. 1 month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.

‡ Call deposits £1,000 and over 8% gross.

‖ 21-day deposits over £1,000 9.25%.

¶ Mortgage base rate.

** See Provincial Trust Ltd.

§ Demand deposits 8%.

Tony Jackson traces the unusual nature of the £173m buyout of a BAT subsidiary

Rags to riches story that led to Mardon package

THE £173m management buyout of BAT subsidiary Mardon Packaging, completed earlier this month, was an unusual exercise.

First, it was the biggest buyout seen outside the U.S. Second, it spanned two countries – Canada and the UK. Third, it had overtones, not of a buyout, but of a takeover.

Mardon senior management, headed by Canadian Mr Larry Tapp, own an equity stake of 20 per cent in what is now known as the Lawson Mardon Group (LMG). But an effective controlling interest – 49 per cent – is in the hands of a Canadian mining company, the Roman Corporation.

Roman Corp is the creation of a prominent figure on the Canadian business scene, Mr Stephen Roman. Mr Roman, 64, is a classic example of the rags-to-riches story. Born in Czechoslovakia, he arrived in Canada at the age of 16 to begin work as a farm hand.

Early dabbling in penny stocks in the mining sector led him to form what was to become Denison Mines, whose interests in uranium, coal and oil put it among Canada's biggest natural-resource companies.

Mr Roman still heads Denison, and Roman Corp's 36 per cent holding in Denison is its chief asset (in the incestuous manner of mining companies the world over, Denison also has a 15 per cent stake in Roman).

Mr Roman, whose personal fortune is estimated at several hundred million dollars, is a man of positive views. He is an ardent champion of free enterprise, and among his publications is a book urging the building of an economy based on "Judeo-Christian values."

According to Mr Charles Parmelee, this was a major factor in Roman Corp's backing of the buyout. Mr Parmelee is an important link in the story: besides being on the board of Roman and Denison Mines he was also, until the buyout, a director of Lawson & Jones, the Canadian end of Mardon.

"Philosophically," says Mr Parmelee, "Mr Roman believes very much in the concept of the management buyout." However, Roman Corp makes no bones about the pragmatic considerations as well.

Though small beer to a multinational like BAT, LMG is a large company indeed. With sales of more than £600m – split 47 per cent UK, 45 per cent North America and most of the rest on the Continent – the group is one of the largest and most successful packaging companies in Europe. Its £35m of trading profits last year represent a reasonable return in a competitive industry.

There are also strategic considerations relating to Roman's heavy dependence on the cyclical business of mining. "LMG is an international group," says Mr Parmelee, "and it is ideal for us in terms of balance. Roman Corp is in natural resources, and as a consumer packaging business LMG works on entirely different cycles."

In fact, Roman is not wholly new to the packaging business. It owns a small paper mill, Strathcona Paper (1984 sales C$33m), which as a maker of packaging board has in the past supplied Lawson & Jones.

Running a £600m-turnover packaging group with more than half its sales on this side of the Atlantic is rather a different proposition. However, says Mr Parmalee, "Mr Roman is very much an international businessman, with interests around the world. His proven business skills are one reason why the management buyout group chose to go with Roman in the first place."

Clearly, though, Mr Roman is not a man to adopt a hands-off attitude to an investment of £38m (the cost of his stake in LMG).

Indeed, in spite of the scale of his personal wealth, the LMG stake is not an insignificant investment for Roman Corp. Although the company's share in the underlying assets of Denison Mines is theoretically worth a great deal, the market capitalisation of Roman Corp on the Toronto Stock Exchange is only around £73m – less than twice the cost of the LMG purchase.

Not that there is any problem over financing. The asset backing of Roman Corp leaves plenty of room for borrowing, and the group's balance sheet is practically ungeared (the debt/equity ratio at the latest year end was a mere 9 per cent).

That was an explicit reason for restricting the LMG stake to 49 per cent. LMG carries with it about £100m in debts from its BAT days. Mr Parmelee says: "At 49 per cent we can equity account. We don't have to put LMG as a whole on our balance sheet, and we don't have to consolidate its debt."

Another argument against a full takeover is LMG's plans for a future stock market flotation. This could leave Roman Corp scope for a profitable exit from a minority holding, a tactic which Mr Roman has successfully employed on past occasions.

Besides the involvement of Roman Corp in the buyout, there is an element of reverse takeover within the management consortium itself.

In effect Lawson & Jones, a Canadian subsidiary accounting for only 27 per cent of the Mardon group's sales, has stolen the lead in a business previously run out of the UK (Mr Larry Tapp, now second in command to Mr Roman, is the former president of Lawson & Jones).

There is one good reason for that. Management buyouts of this size and complexity, although well established in the U.S., are still a novelty in the UK.

As Merrill Lynch, financial advisers to the deal, put it, "Not many people appreciate just how complex a buyout on this scale really is. We suspect that as yet, not many UK merchant banks are acquainted with the logistics of the exercise."

THE PROPERTY MARKET BY MICHAEL CASSELL

Problem for Pru at Marble Arch

THE PRUDENTIAL may be one of the UK's largest commercial landlords but it is certainly not the most popular with a group of traders in London's Oxford Street.

The insurance group's current unpopularity stems from its very long leasehold interest on the Marbles Shopping Centre, situated at the extreme western end of Oxford Street close to Marble Arch. The head leaseholder is the Legal and General and the freehold lies with the Grosvenor Estate.

Now the Pru is trying to sell out and tenants, who have been given notice to quit, claim the landlord has refused to discuss the issue with them or talk about the possibility that they themselves might take over the running of the centre.

The trouble began in April when Ram, the company best known for its ownership of Regine's nightclub but also holding an underlease at the Marbles, went into liquidation. The company had been collecting rent from the 36 traders operating on monthly licences within the centre—the annual rent roll is just over £400,000 a year.

When it ceased trading, Singla, the City-based solicitors who were appointed liquidators, continued to collect rents. But the Pru was no longer receiving rent from Ram and it also began to incur management charges previously carried by the collapse company.

By June, the insurance group had found an interested purchaser for its leasehold interest and informed the tenants, via their own solicitor, that the centre was no longer viable and that they had received an offer for the property, subject to vacant possession. Notices to quit, which it is understood had at one stage also been served by Ram, started to be issued.

Mrs Anu King, one of the traders, said that some tenants had spent considerable sums of their own money on improving the centre and that, although they were on monthly licences, they believed they had created tenancies.

The Prudential says the position is "unfortunate," but that it is legally within its rights. The stallholders, who had been informed that the centre was no longer viable, were well aware of the conditions upon which they occupied the centre and had already been granted considerable extensions to their licences.

A spokesman added: "We have never been approached directly or indirectly with a request to meet and discuss the situation or to talk about a possible offer from the tenants. They have merely intimated that they would like to remain in occupancy."

Hammerson goes back to Paris

HAMMERSON GROUP'S decision to pay £31m for a portfolio of properties in Paris revives a continental affair which has looked distinctly shaky in the last few years.

The planned acquisition of 16 freehold buildings owned by ICI Pension Funds — in return for 5 per cent of Hammerson's equity — promises to put fresh sparkle back into the relationship and it is unlikely that the group's new interest in Europe will be more than temporarily satisfied by this week's move.

Sydney Mason, Hammerson's chairman, announced the deal on the eve of his departure for a month's grand tour of Hammerson's huge North American interests (nearly half the group's properties are located there). Shareholders will vote on the purchase shortly after Mason's stately homecoming aboard the QE2 and there can be little doubt about the outcome, given the group's recent track record in picking up highly useful overseas portfolios.

Hammerson first went to Europe in the late 1960s, forming a joint partnership with Dutch developer Boz which was to last 12 years until Boz was acquired by Nationale Nederlanden in 1979, prompting Hammerson to sell out for £10m. By then, the partnership had built, with varying degrees of success, in Paris, Amsterdam and Brussels.

Since then, Hammerson has itself made individual office and retail investments in Amsterdam, Frankfurt, Brussels and the Hague but the European operations contribute only 1 per cent of worldwide net rental income. The fully-occupied ICI portfolio brings a gross (index-linked) income of around £3.5m a year which will not do much to boost Europe's tiny contribution. But, as usual with Hammerson, it is what happens next that counts.

Mason will not be drawn but there must be a good chance that over half the properties—developed by ICI in partnership with partners like Ramon Green—will not linger long in the Hammerson camp. The ICI team has worked hard over the past few years to put a once-problematical portfolio into good shape but even so, investments like a two-acre warehouse complex at Les Mardelles or the 41st floor of the controversial Tour Maine Montparnasse building, are hardly Hammerson's style.

In a repeat of the formula adopted in Canada after the acquisition of the Mascan and Rank City Wall portfolios, proceeds from early sales will be pushed back into improving what is retained or into part-refurbishing other properties scheduled for selling on. Though he will not at this stage be drawn, useful tax losses could also be involved.

As for future European ambitions, the group is keen on more property in Paris, where planning restrictions have helped maintain a strong office market. Given the chance, new development is an option and Mason says he will also be looking in West German locations like Frankfurt and Cologne.

Crowngap stake for Royal

ROYAL LIFE Insurance has purchased an approximate 10 per cent stake in Crowngap, the private property development and investment group founded in 1976 by Roy Wright and Ray Corser.

Royal Life, part of Royal Insurance, has in addition subscribed £4.2m of new 8.5 per cent convertible unsecured loan stock in Crowngap. It has also agreed to provide the company with a loan facility under which £10m of long-term funds will be made available to Crowngap on a secured basis.

Following the deal and assuming conversion of the loan stock, Roy Wright will hold about one third of Crowngap's equity, with the Co-operative Bank (which has backed the company since its formation) and Royal Life each holding just less than a third each.

At its last year-end, Crowngap had net assets of about £7m and recorded pre-tax profits of £1.8m. The company was advised by Morgan Grenfell in the negotiations with Royal Life.

Industrial stock rises

THE STOCK of empty factory and warehouse space in England and Wales has risen for the first time since the end of 1983, according to the latest King and Co. floorspace survey.

The survey shows a marginal rise in available space, from 134.5m sq ft to 135.3m sq ft although the agents say the picture represents "a levelling off" from the continued reduction in empty industrial accommodation seen since the 177m sq ft peak recorded in April 1983. The total probably represents well under 5 per cent of the total stock of industrial property in the two markets.

● CITY OF LONDON Corporation has rejected plans submitted by English Property Corporation and Guinness Peat Property Services to redevelop Lee House, the 157,000 sq ft office tower on London Wall. Ownership of the building recently transferred to MEPC when the group acquired EPC's UK investment portfolio. It is understood that MEPC did not, in any case, intend to pursue the development for which permission was being sought. The new owners are already formulating a smaller-scale redevelopment and hope to prepare a new application within the next three months.

● Sun Alliance Insurance has let its new 17,600 sq ft office scheme at Riverfront, Enfield, to Bovril for £172,000 a year

No closed doors in Washington Market

EUROPEAN investors seeking real estate opportunities in the U.S. and undeterred by switchback exchange rates or a development boom which appears oblivious to record vacancy levels could do a lot worse than stop over in Washington.

The nation's capital and political heart, the city has been traditionally regarded as little more than a centre for federal employment, offering a highly-restricted local economy and few attractions to the property investor.

No longer so, according to Savills, the UK agents who opened in Washington three years ago, where they have now established a commercial department. They point out that 70 per cent of the city's employees now work outside government and that with over 100m sq ft of downtown and suburban office space, Washington is now second only to New York as a office centre.

The City, with a population of 3m, also has one of the lowest office vacancy rates in the country — 10 per cent downtown and 12 per cent in the suburbs, a level which is high enough by continental standards but which is not forecast to rise thanks to the federal presence and the demands of the service industries which thrive on it.

One of America's most "European" property markets, there are downtown zoning restrictions which limit building heights and space supply while the size of properties — most investment purchases are in the $20m-$30m range — should appeal to many potential overseas investors.

Savills have more than a passing interest in singing Washington's praises but there is no denying that rents, having more than tripled in 10 years, have shown the highest growth rate in any U.S. City. With prime downtown office space costing up to $35 a sq ft (around $28 a sq ft in suburbia), Savills reckons that, after a brief lull, rents will hit $40 a sq ft within the next 18 months or so and that "low" initial yields of 7-8 per cent in the "golden triangle" reflect growth prospects. Internal rates of return downtown range from 12.5 per cent to 16.5 per cent.

The suburban markets in particular have performed well, with the suburbs of New York and southern California alone achieving higher rents and with office absorption rates ahead of everywhere barring Los Angeles and Dallas.

According to John Parkinson of Savills: "Now that U.S. institutions are stepping up their property profile, Washington is expected to be a prime target. UK and European funds and developers should feel comfortable here and we already have two major development projects lined up for British companies."

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Company Notices

Den norske Creditbank

(Incorporated in the Kingdom of Norway with limited liability)

U.S.$50,000,000 11¼ per cent. Capital Notes due 1993

Notice is hereby given to the holders of the above-mentioned Notes (the "Notes") of Den norske Creditbank (the "Bank") that, in accordance with the terms of Condition 2 of the Terms and Conditions of the Notes, the Bank has determined that, as from 15th October, 1985, in the event of the distribution of assets of the Bank upon any winding up, liquidation or reorganisation of the Bank, the claims of Noteholders and Couponholders will be subordinated and subject in right of payment to the prior payment of claims of depositors and all other creditors of the Bank, other than subordinated creditors. Accordingly, as from 15th October, 1985 the Notes will rank pari passu with any other subordinated indebtedness of the Bank then outstanding.

S.G. Warburg & Co. Ltd.
Principal Paying Agent

U.S.$50,000,000 11¾ per cent. Capital Notes 1991

Notice is hereby given to the holders of the above-mentioned Notes (the "Notes") of Den norske Creditbank (the "Bank") that, in accordance with the terms of Condition 2 of the Terms and Conditions of the Notes, the Bank has determined that, as from 15th October, 1985, in the event of the distribution of assets of the Bank upon any winding up, liquidation or reorganisation of the Bank, the claims of Noteholders and Couponholders will be subordinated and subject in right of payment to the prior payment of claims of depositors and all other creditors of the Bank, other than subordinated creditors. Accordingly, as from 15th October, 1985 the Notes will rank pari passu with any other subordinated indebtedness of the Bank then outstanding.

Citibank, N.A.
Principal Paying Agent

U.S.$150,000,000 Perpetual Floating Rate Subordinated Notes

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Citibank, N.A.
Principal Paying Agent

13th September, 1985

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)

Registration No. 01/00429/06

NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of ordinary shareholders of Johannesburg Consolidated Investment Company, Limited will be held in the board room, Consolidated Building, corner Fox and Harrison Streets, Johannesburg on Wednesday, 23 October, 1985 at 12 noon for the following purposes:

1. To receive and consider the Group annual financial statements for the year ended 30 June 1985.
2. To elect directors in place of those retiring in terms of the articles of association.
3. To grant in accordance with Section 221 of the Companies Act 1973 a general authority to the directors to allot and issue the unissued ordinary shares of R2 each in the capital of the Company, including the shares which are at the disposal of the directors for purposes of the Company's share incentive scheme, upon such terms and conditions as they may determine.

The transfer books and register of members of the Company will be closed from 17 to 23 October 1985 both days inclusive.

Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and speak and, on a poll, to vote in his stead. A proxy need not be a member of the Company.

Holders of share warrants to bearer who wish to attend in person or by proxy and vote at the meeting are required to comply with the regulations of the Company relating to share warrants. Copies of the regulations are available on application.

By Order of the Board
M. J. MEYER
Secretary

Registered Office:
Consolidated Building,
cor. Fox and Harrison Streets,
Johannesburg 2001.
(P.O. Box 590, Johannesburg 2000).

London Secretaries:
Barnato Brothers Ltd.
99 Bishopsgate
London, EC2M 3XE

12 September 1985.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN KOMATSU LTD.

EDR holders are informed that Komatsu Ltd. has paid a dividend to holders of record June 30, 1985. The cash dividend payable is Yen 4 per Common Stock of Yen 50.00 per share. Pursuant to the Deposit Agreement the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 32 for payment.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A. R. of Egypt	F. R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after January 31, 1986. Amounts payable in respect of current dividends.

Coupon No. 32 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1 share	\$0.016949	\$0.014406	\$0.013559

Depositary:
Citibank, N.A.,
336 Strand, London WC2R 1HB.
September 13, 1985.

HARMONY GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)
A Member of the Rand Mines Group

DIVIDEND DECLARATION

NOTICE IS HEREBY GIVEN that dividend No. 58 of 130 cents per share has been declared in South African currency, as an interim dividend in respect of the year ending 30 June, 1986, payable to members whose names appear in the Company's register of members at the close of business on 27 September, 1985. The register of members will be closed from 28 September to 6 October, 1985, inclusive, and dividend warrants will be posted on or about 31 October, 1985.

The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom Registrars, Transfer and Paying Agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 28 September, 1985 on which foreign currency dealings are transacted.

Where applicable, South African non-resident shareholders' tax of 15% will be deducted from the dividend.

The full conditions of payment of this dividend may be inspected at or obtained from the offices of the company in Johannesburg or in the United Kingdom.

By order of the board,
RAND MINES (MINING & SERVICES) LIMITED
Secretaries,
per A. R. HOLT

Registered Office:
15th Floor
63 Fox Street
Johannesburg 2001
(PO Box 62370 Marshalltown 2107).

Secretaries in the United Kingdom:
Charter Consolidated P.L.C.
40 Holborn Viaduct
London EC1P 1AJ

United Kingdom Registrars, Transfer and Paying Agents:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL.

12 September 1985.

CANADIAN PACIFIC ENTERPRISES LIMITED

DIVIDEND NOTICE

The Board of Directors of Canadian Pacific Enterprises Limited, at a meeting held on the 8th day of September 1985 resolved that a quarterly dividend of twenty cents (20¢) Canadian per share on the outstanding Common Shares of the Corporation, be and the same is hereby declared payable on October 16, 1985, to shareholders of record at the close of business on September 18, 1985.

By order of the Board
K. S. Benson
Vice-President Administration and Secretary

Calgary, Alberta, Canada.
September 8, 1985.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
13	14	15	16	17	18	19

Theatre

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earthbound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (379 3055).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

I'm Not Rappaport (American Place): A better title might have been Mensch on a Bench for Herb Gardner's touching, funny and invigorating play about two oldsters embodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just bickering with each other. (869 4731).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

WASHINGTON

West Side Story (Opera House): Rex Smith stars in a revival of the durable American classic that translates Romeo and Juliet to a tough but tuneful hispanic New York neighbourhood. Ends Sept 21. Kennedy Center (254 3770).

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Der fliegende Holländer has Janis Martin and Martti Talvela. The Magic Flute features Sylvia Greenberg, Costanza Cuccaro and Gerd Feldhoff. Il Trovatore sung in Italian, is a Herbert von Karajan production. The cast includes Natalia Troitskaya, Helga Wisniewska and Harald Stamm. Aida rounds off the programme. (34381).

Hamburg, Staatsoper: La Traviata brings together Ursula Boese, Giacomo Aragall and Jan Pons. La Bohème has fine interpretations by Yasuko Hayashi as Mimi and Neil Shicoff as Rodolfo. Der Barbier von Sevilla has Rachel Joselson in the part of Rosina. Luigi Nono's rarely played Intolleranza returns to the programme. (351151).

Cologne, Opera: Premiering this week is Lucia di Lammermoor, produced by Peter Wood with Lucia Aliberti in the title role. To commemorate Handel's 300th anniversary Agrippina is offered with Günther von Kannen and Barbara Daniels. (20761).

ITALY

Milan: Teatro alle Scala: Rossini's Il Viaggio a Reims. A repeat of Luca Ronconi's successful production at the Pesaro festival last year. Claudio Abbado conducts a cast which includes Katia Ricciarelli and Ruggiero Raimondi. (809126).

Rome: Teatro Tenda a Striscie (Via Cristoforo Colombo): Rudolf Nureyev with the corps de ballet of the Paris Opera in Apollon Musagete (Stravinsky/Balanchine), Canto di un Giovane Errante (Mahler/Bejart) and Suite de Dances to choreography by Bournoville. (Tue). (542 2779).

Katia Ricciarelli, who sings in Rossinis's Il Viaggio a Reims at Milan

BRUSSELS

Cirque Royale: Simon Boccanegra conducted by Michael Schonwandt with José Van Dam, Ellen Shade, Neil Wilson and Robert Lloyd. (218 1211).

VIENNA

Staatsoper: Cosi fan Tutti conducted by Kout with Coburn, Daniel, Watson, Kerns, Giordano's Andrea Chenier conducted by Collado; Raymonda by Glasunov and Nureyev conducted by Schirmer with Stadler, Harangozo, Tichy; La Traviata conducted by Segerstam. (5324/2655).

Volksoper: Kalman's Csardasfuerstin; Millöcker's Der Bettelstudent; Lehar's Das Land Des Lachelns; Strauss' Vienna Blood; Lortzing's Der Wildschütz. (5324/2657).

NEW YORK

New York City Opera (NY State): Frank Corsaro's new production of The Love for Three Oranges with sets by Maurice Sendek (created by Glyndebourne in 1982) premieres with Diana Walker as Ninetta, Joyce Castle as Fata Morgana and John Lankston as Truffaldino, conducted by Christopher Keene. Joseph Rescigno conducts Renato Capecchi's production of The Daughter of the Regiment, with Erie Mills as Marie, Jane Shaulis as the Duchess of Krackenthorp, Gran Wilson as Tonio and Richard McKee as Sulpice. The week also features La Cenerentola and Carmen. Lincoln Center (870 5580).

TOKYO

Asian Festival of Traditional Dance and Music: Korea, Turkey, Bangladesh, Malaysia (Thur matinee); China, Japan, India, Sri Lanka (Thur evening); Japan (Wed). National Theatre of Japan. (464 0114).

Pilobulus Dance Theatre: Yomiuri Hall, 7th floor of Yurakucho Sogo Department Store, near Ginza and Hibiya (Wed, Thur). (499 0374).

Music

LONDON

Philharmonia Orchestra and Chorus, conducted by Giuseppe Sinopoli, with Rosalind Plowright, soprano; Brigitte Fassbänder, mezzosoprano. Mahler's second symphony. Royal Festival Hall (Tue). (928 3191).

London Philharmonic Orchestra, conducted by Klaus Tennstedt, with Julia Varady, soprano; Waltraud Meier, mezzosoprano; Piero Visconti, tenor; Paata Burchuladze, bass. Verdi's Requiem. Royal Festival Hall (Wed).

City of Birmingham Symphony Orchestra, conducted by Simon Rattle, with Katia and Marielle Labeque, pianos. Mozart, Bartok and Elgar. Barbican Hall (Wed). (638 8891).

Chamber Orchestra of London and Tallis Chamber Choir, conducted by Philip Simms, with John Graham Hall, tenor. Händel. Royal Festival Hall (Thur).

English Chamber Orchestra, conducted by Daniel Barenboim, with Mati Haimovitz, cello. Schubert, Saint-Saens and Mozart. Barbican Hall (Thur).

PARIS

La Grande Ecurie et la Chambre du Roy, conducted by Andrew Parrott, Gill Feldman, soprano. Bach (Mon). Saint-Severin Church.

Laurent Cabasso, piano recital (Tue 8.30pm). Sorbonne, Amphithéâtre Richelieu.

Nouvel Orchestre Philharmonique and Radio France choir conducted by Sir Charles Farncombe: Händel – Esther (Tue). Assas Law Faculty.

Paul Kuentz Choir and Orchestra: Art of Fugue (Tue). Saint-Severin Church.

Yehudi Menuhin Competition finals with Orchestre de Paris conducted by Claude Bardon (Tue and Wed). Salle Pleyel (561 0330).

BRUSSELS

Palais des Beaux Arts: European Baroque Orchestra with Jaap Van Linden, cello (Tue). Netherlands Chamber Orchestra with Beatrice Nichoff, soprano and Jard van Nes, alto. Händel's "Theadora" (Wed); Belgian National Orchestra conducted by Mendi Rodan with Anne-Sophie Mutter, violin. Brahms, Prokofiev. (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting; L. Subramanaian, violin; John Cheek, bass baritone. Copland, Subramanaian, Sobal (Tue); Zubin Mehta conducting, Garry Graffman, piano: Korngold, Schubert (Thur). Lincoln Center (874 2424).

TOKYO

Mikiko Nakamura (piano): Satie, Takemitsu, Poulenc, Brahms. Komaba Eminence (Tue). (401 9561).

Yomiuri Nippon Symphony Orchestra (conductor: Rafael Frühbeck de Burgos): Beethoven, Strauss. Tokyo Bunka Kaikan (Wed). (270 6191).

ITALY

Milan: Teatro alla Scala: Autumn concert season opens with Händel's oratorio Israel In Egypt with the Monteverdi Choir and the English Baroque Soloists conducted by John Eliot Gardiner (Tue). On Thur Kurt Sanderling conducts and the pianist is Bruno Leonardo Gelber. Beethoven. (809126).

VIENNA

Duo evening with Saverio Trombetti, flute; Marina Cavana, piano. Scarlatti, Bach, Mozart. Bösendorfersaal (Mon).

Mozart Boys Choir: Mozart, Haydn, Schubert. Evangelischekirche. (Wed).

Vienna Bach Soloists, led by Ernst Wedam, with Maria Ilona Meroth, soprano; Herbert Boeck, oboe; Alexander Krins, violin. Bach, Händel. Minoritenkirche. (Thur).

STUTTGART FESTIVAL

West Germany's main contribution to European Music Year will be a Government-sponsored festival at Stuttgart (Sept 14-22). The 36 concerts will be devoted to composers for whom this is an anniversary year: Händel, Schütz, Bach, Domenico Scarlatti and Berg. The main attractions include Händel's oratorio Israel in Egypt with John Eliot Gardiner and the Monteverdi Choir and Orchestra of London; Händel's opera Semele, conducted by Wolfgang Gönnenwein, a piano recital by Sviatoslav Richter; appearances by the Stockholm Chamber Choir and the Academy of St Martin in the Fields; and Bach concerts conducted by Helmut Rilling and Peter Schreier.

Continued on Page 17

THE ARTS

Cinema/Paul Taylor

The heart of a still life

Dim Sum directed by Wayne Wang
Cocoon directed by Ron Howard
Turk 182 directed by Bob Clark
The Frog Prince directed by Brian Gilbert
Friday the 13th – a New Beginning directed by Danny Steinmann

A Little Bit of Heart, reads the subtitle — not, as might have been expected, of Ron Howard's amalgam of *ET* and Peter Pan for pensioners, *Cocoon*, but of the week's most mature U-certificate movies *Dim Sum*, the follow-up to young Hong Kong-American director Wayne Wang's still undistributed low-budget mystery charmer, *Chan Is Missing*.

A relaxedly observational family portrait, not so much set as rooted in San Francisco's Chinatown, *Dim Sum* quietly insists that life tends to drift its way haphazardly towards and past apparently momentous dilemmas and decisions, rather than proceeding in dramatic fits and starts. The unresolved dilemmas at the film's heart are those shared by Geraldine Tam (Laureen Chew), an independent yet dutiful woman in her early 30s, and of her shrewdly stubborn, outwardly more traditionalist mother (Kim Chew): questions of (possibly) impending marriage and (possibly) approaching death, of parting, exercise them both. Both, with the best of intentions, speak and behave at casually loving cross-purposes, while friends, relatives and neighbours attempt amiable interventions to similar, easefully muddling effect.

The performances and naturalistic good humour in themselves would be cherishable, the low-key stress on commonsense wisdoms and communal wit wholly admirable. But above and beyond Wayne Wang's refusal to schematise the cross-cultural, inter-generational contrast between Chinese and Californian mores into conflict, or to trade in mere ethnic exotica, lies the masterly payoff of his Ozu-influenced, less-is-more instincts: *Dim Sum* is most engagingly eloquent in its most silently contemplative moments. A punctuating still-life scrutiny of a neat line of footwear by the domestic threshold—Geraldine's day-glo plastic sandals next to her mother's orthopaedic shoes—actually resonates throughout the movie's delicate structure, as does the telling play of looks and smiles through its endearing but unsentimental emotional comedy.

*

Interleaved between hefty chunks of manipulative movie messianism and a patronisingly sentimental view of senior citizens automatically equating rejuvenation with childish regression, there are a few moments of true emotional comedy in *Cocoon*, too. But in a film dispiritingly topped and tailed by modishly monumental sequences of alien (heavenly?) visitation, and which plays itself out as a salvationist wish-fulfilment, they are overwhelmed by crass fantasy.

Ron Howard's last entertainment, the genuinely charming *Splash*, plucked a mermaid from the sea. Here he retrieves from the depths, or has human-looking aliens Brian Dennehy and Tahnee Welch retrieve for him, a collection of boulder-like protective cocoons, inside which pioneer aliens survive from a previous landing on Atlantis, thousands of years ago, awaiting revival in a specially energised swimming pool before belated mother-ship pick-up. The pool, however, is used for off-limits jaunts by a trio of the friskier souls from a nearby Retirement Home (Don Ameche, Wilford Brimley, Hume Cronyn), who soon find themselves curiously reinvigorated, and eventually emboldened to strike a deal with Dennehy and Co to continue their variously life-enhancing or life-saving dips in the "fountain of youth."

Gwen Verdon and Don Ameche in "Cocoon"

Contentious ruminations on the courses of nature (on aging, sickness and death) ensue, to be awkwardly leavened by some cute sex-comedy and even cuter special effects work, while bewildered boat skipper Steve Guttenberg, otherwise given but a sparse quota of deflationary dialogue, experiences both bits of leavening at the same time with Ms Welch (*Raquel's daughter*) initiating him to alien eroticism. The picture darkens and solemnifies briefly, but the benificence of the immortals knows no bounds, and a pact guaranteeing afterlife for the aged is duly sealed. Awe-struck oldies totter two-by-two towards a new ark, and another chapter in Hollywood's New Testament of comforting close encounters comes to its uplifting end.

*

Almost as prevalent as sci-fi religiosity in American cinema's current crowd-pleasing phase is the revival of the populist fable. Bob Clark's *Turk 182* fits the bill in the most programmatic fashion, orchestrating chant-along acclaim from the masses for a youthful graffiti artist (Timothy Hutton) who repeatedly puts up in lights the nickname and number of his crippled ex-fireman brother, in a campaign to embarrass New York's clean-up mayor (Robert Culp) into coughing up a disputed disability pension. Confused you can't be by the number-to-number, dot-to-dot construction by which "justice" is spectacularly prised from a casually corrupt city hall system; though convinced you must be that Hutton's carefully de-politicised stunts owe more to the traditions of the Caped Crusader than to those of Capra.

*

Owing unfortunately less of a debt to comic strips is *The Frog Prince*, adapted (amid acrimonious "creative differences," apparently) from a first original screenplay by Guardian cartoonist Posy Simmonds, here abandoning her forte of subtly hard-edged contemporary satire for an emaciated anecdote of *premier amour* set in the Paris of 1961.

There, Sorbonne fresher Jenny (Jane Snowden) resignedly unpacks her Marmite in a suburban billet — where Grandmère has her teeth confiscated lest she chew her way through the whole of the family newspaper—but soon begins to wonder if there's more to the *nightlife of the romantic* foreign city than curling up with a good Camus. The smooth beau of the title (Alexandre Sterling) offers one avenue of risky amorous adventure — and there's a torrent of pre-permissive advice to Jenny from the other English girls about "going all the way" — while a less pushy Norwegian student proffers the alternative of companionship at the Cinemathèque in vain. A Shakespearian recitation finally prompts Jenny to cement Anglo-French relations, but surely the Sternberg all-nighter she misses must have been the more inspiring option . . . ?

*

After *The Final Chapter—A New Beginning*. The original day-and-date exploiter lumbers shamelessly, stylelessly and suspenselessly on into its fourth abysmal sequel. A traumatised near-victim of Jason Voorhees, the masked, murderous bogeyman laid to rest in the last instalment of *Friday the 13th*, conjures him back to life in his nightmares, while a copy-cat killer stalks the woods outside the under-staffed halfway house of the Unger Institute for Mental Health. Abandoning rhyme and reason to gross-out abattoir "humour," Danny Steinmann presents a closely censor-shaved catalogue of cleavings, stabbings, skull-crushings, skewerings, throat-slittings and impalements, and still holds out the threat of more to come for the survivors. According to my diary, probably next June. A trip to the dentist or an all-night Red Buttons retrospective would be more inspiring options.

Light Up The Sky/Old Vic

Michael Coveney

Moss Hart's 1948 comedy *à clef*, here receiving its British première, is renowned for its portraits of Gertrude Lawrence, the lowbrow impresario Billy Rose and his snazzy wife Eleanor Holm tearing each other to shreds during a fraught Boston try-out of an avant-garde play "The Time Is Now." Hart had perpetrated this sort of showbiz incest before with his partner George Kaufman in *The Man Who Came To Dinner*; in exclusively theatrical vein, Kaufman and Ferber's Barrymore clan satire *The Royal Family* is the prototype.

Today's audience is more likely to think of Tallulah Bankhead when Hart's monstrous leading lady, Irene Livingstone, calls to be led to an oxygen tent, or bawls imperiously at her stolid husband "Let us have children, I know when I'm beaten."

The first act is set in that three-hour "magic time" before the curtain rises, with the director, producer and playwright arriving for the drinks ritual in the star's suite. In the second, the attempt to push a roman candle in the tired face of showbusiness has fizzled out with gathering titters in the emptying stalls, and dumb despair turns to unbridled acrimony. In the third, the reviews trumpet a success, the personal bridges are rebuilt and a telephone call made to Mr Shubert.

Keith Hack's lively production, well designed by Michael Levine and superbly costumed by Sally Gardner, is not content merely to reproduce a stage full of wound-up wisecrackers but has encouraged eccentricity and rubato in Hart's waspishly staccato text. The producer Sidney Black is played with stabbing gestural authority by that splendid nearly-veteran of so many Broadway musicals, Robert Morse. His head jerks out like a frog's, his arms saw the air like a double-jointed windmill and he can milk a pause for all its worth on receiving a line in his ear like "There are more things to me than having a hit."

Even more extraordinary is Robert Stephens's ravaged and shambling director Carleton Fitzgerald, played with more than a touch of the character's namesake Barry. His tearful histrionics include bestowing on Irene his present of Duse's necklace that she wore on an opening night ("How long did the show run?" is one unsentimental response) and raising a maudlin toast to an old scrubwoman he had spied in the gallery squeezing her mop in rapt appreciation as the show was rehearsed relentlessly into the night.

Stephens plays that speech with soaring power to the Old Vic rafters while simultaneously spinning it across the stage at Irene's battleaxe mother (handsomely played by Maxine Audley).

Stephens's sacred monster act rather pulls the rug from beneath Hannah Gordon's feet. Miss Gordon is a warm and often bewitching actress. But she is neither monstrous nor sacred. She is nothing if not soft-hewn. In an unsuitable blonde wig she tries valiantly to be imposing by wafting around with her elbows stiffly akimbo and smiling wanly as if someone with impertinent fingers was permanently employed to fix the front of her dress from behind.

Gary Waldhorn is amiably efficient as the playwright who has been through all this before and lived; Kate O'Mara deliciously coarse as the producer's ice-skating wife; Christopher Guinee radiantly stagestruck as the Indiana businessman who is clasped to the family bosom in the small hours and booted out when the reviews have undermined his financial usefulness. And Jack Elliott plays the truckdriver-turned-playwright Sloan (a not so entertaining mister) with a trembling sincerity that saves him from the ridicule due to a man whose Act One aftermath is set in the bombed shell of Radio City Music Hall.

Lady Windermere's Fan/Palace, Watford

Martin Hoyle

Lady Windermere heralds the first of Wilde's great comedies, but the heady scent of Victorian melodrama still clings. The plot, after all, is an up-market and more cynical variation on *East Lynne*. The adventures with a past, noble sacrifice and redemption were elements familiar to an audience of 1892, however startled they may have been at the pure and hitherto horribly priggish Lady Windermere's final liberal assertion that good and evil, sin and innocence, go hand in hand in this life.

Of course, there are signs of things to come. If the story looks back to Mrs Henry Wood it also presages Maugham who echoed the theme of the young repeating the folly of their elders in *The Circle*. A more astringent production might also emphasise the glimmerings of *sexual egalitarianism* in Wilde's sardonic observations on the double standard. Masculine dissoluteness is merely amusing. "Men do not count. With women it is different. We are good." (Noël Coward would underline this in *After the Ball*, his 1950s musical based on the play, with a superb female ensemble, "Why is it the woman who pays?")

Prunella Scales, here directing rather than appearing, has opted for the style of the original. Joanne Pearce's Lady Windermere, for example, is not afraid of the expansive physical gesture or a full-bloodied attack on those irredeemably *19th century soliloquies*. Miss Pearce, unforgettable as a gormlessly asthmatic stripper in Terry Johnson's *Unsuitable for Adults*, changes style effortlessly. Margaret Windermere is the most objectionably pious character in the modern theatre, but Miss Pearce's final thaw redeems her. Alas, Simon Chandler as her husband begins as a pleasant young man and ends as an unintentionally funny pest. He looks too young and unassertive for a '90s aristocrat. Both he and Miss Pearce raised unnecessary laughs when she ripped open his bank book in search of payments to the mysterious Mrs Erlynne. And surely the recognition of his wife's fan in another man's room at night should not provoke giggles?

Other small weaknesses include a Lord Darlington (Nicholas Gecks) whose opening scene is arch mannerism almost carried over the top (he improves), and a Cecil Graham, Nicholas Hutchison, got up as a young Wilde complete with green carnation, who conversely tends to throw some of his funnier lines away. Both these basically intelligent performances can be improved. Kate Percival makes such a *success of the running gag of* Lady Agatha's "Yes, mama" that her appearance as the last-act maid was greeted by the audience with not entirely suitable enthusiasm.

But the production's heart beats strong and firm. Isla Blair's Mrs Erlynne begins stylishly enough, a trifle light, slightly modern in her effortlessly casual approach. Her exhortation to the runaway Margaret, discovered waiting in Darlington's rooms, low-voiced and tense, rises to a passionate bitterness as she recalls her life *of social ostracism. Miss Blair* holds the house breathless and evokes an emotionally generous response from Miss Pearce whose tearful collapse into the achingly reluctant arms of her unacknowledged mother forms the production's extremely powerful climax.

Colin Winslow's set for Lord Darlington's bachelor rooms with their Turkish motif is especially fine—yet another disguise in the comedy of masks where characters are either in love with themselves or frightened of discovering themselves. The central paradox of the liar who finds integrity through inescapable pretence shines out thanks to a generally enjoyable production and Miss Blair's splendidly controlled performance.

Chris Davies

Joanne Pearce and Simon Chandler

Città di Castello Festival

William Weaver

Città di Castello is a fair-sized Umbrian town (less than 50,000 inhabitants) in the upper valley of the Tiber, a rich plain between two Appenine ranges. It has an air of prosperity, and it must have prospered also in the past, for it has a number of handsome Renaissance palaces, elegant churches, some spacious squares and gardens. Not easily accessible—the train from Rome takes over three hours — it is an ideal place for the austere intelligent International Chamber Music festival that the city has been organising for 18 years.

The events do not attract huge audiences, but they have a number of devotees in the area, and they are also a social and musical focus for young people from various parts of the world who come to study in the master classes held by eminent musicians.

Each year one country is the festival's guest of honour; this year it was the German Democratic Republic, a happy choice in view of the various centenaries of German artists being celebrated in 1985. And so, the festival's programmes included a fair amount of Bach and Handel, and also Domenico Scarlatti and Heinrich Schütz.

For Città di Castello, chamber music also includes choral music, and one of the final events of this year's festival was a pair of concerts by the Berliner Solisten, from East Berlin. This excellent organisation —16 singers, plus a violone and a positive organ—was founded in 1973 by its director Dietrich Knothe; but though it is well known at home, it is not familiar to Italian audiences.

To mark the 400th anniversary of Schütz's birth, the Berline artists performed—in the ideal setting of the church of San Francesco—the composer's "swan song," the recently reconstructed settings of parts of Psalm 19, as well as Psalm 100 and the "German Magnificat," found in the same manuscript. This last-named work, which some authorities have found weary and inexpressive, revealed in this intense performance a profound capacity to move and impress. In all the music, the small chorus displayed a remarkable range: at times we seemed to be hearing 16 soloists, voices interwoven or suddenly highlighted; at other times this was a chorus of notable power and dramatic force. Knothe was sensitive also to the acoustics of the church, warm but, of course, resonant, and he allowed the phrases to soar or linger whenever appropriate. In the encores—especially Bruckner—the group proved its affinity with music of another century and ambiance.

The association with East Germany brought Città di Castello another bonus this year: an exhibition of the graphic art of Max Beckmann. Beckmann's centenary was last year, but this show of more than 100 prints from museums in East Berlin would be welcome at any time because most of the lithographs, drypoints, and so on, are not known in Italy.

Swedish Rådio Symphony Orchestra/Radio 3

Dominic Gill

The fifth and last of the orchestras visiting this year's Proms from abroad was the Swedish Radio Symphony Orchestra, who played on Wednesday under their new principal conductor, the young Esa-Pekka Salonen from Finland.

The Swedish Radio are a lively, responsive band, strong in all departments, especially warm and robust in the lower strings. They opened their programme with *Kontaktion*, dating from 1979, by Ingvar Lidholm, the Grand Old Man of contemporary Swedish music. The piece begins with a sequence of big dissonant - expressionist gestures: an announcement of remarkable urgency, whose feverish alarm is sustained almost without flagging throughout the rest of the music. The best moment is a quotation from Stravinsky's *Symphonies of wind instruments*. The broad effect is of a two-hour horror-suspense movie soundtrack compressed into 17 minutes. Lidholm even manages to make the sublimely peaceful Russian Orthodox chant melody, the Hymn to the Departed, which he also quotes, sound vaguely menacing.

As a live finale for those listeners who may have been following Radio Three's series of Sibelius songs during the past weeks, Haken Hagegard sang next, with splendid, ringing conviction, a group of five Sibelius songs with orchestra—notable among them a darkly brooding "Autumn Evening," with its spare, smoky accompaniment; a magnificently high-flying "What is a dream?" (prince among salon songs); and "Diamonds in the dark snow" (Schubert with a powerful romantic flush).

Esa-Pekka Salonen's direction of Mahler's fourth symphony, after the interval, was impressive. He wove his way in and out of Mahler's complex web of tempo changes in the first movement with admirable skill — fine dovetailing especially of the many different expressive currents. The Ländler was easily lilted, deftly coloured. The slow movement was taken slightly faster than usual—but the shaping was masterly, and the pulse beautifully flexible. The finale was also fast, but comfortably swelling, the colours bright and brilliant.

Continued from Page 16

Exhibitions

PARIS

Medieval Art in Paris: The Abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman Baths. Now a museum, it houses medieval works of art: Goldsmiths' work, carved altarpieces, ivories, fabrics, with two English Royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Musée de Cluny, Place Paul-Painlevé, Métro Odéon.

Perfume: An enchanting exhibition in praise of perfume assembles 550 objects, mostly phials, bottles and perfume fountains from the 16th to the 19th century. Some were made of Viennese porcelain, others of Bohemian cut glass or from gold and enamel in England. There are silver pomanders with petals opening up and Chelsea china statuettes. They all show exquisite workmanship and some of perfume's power to beguile. Le Louvre des Antiquaires, 2 Place Palais Royal. Ends Sept 29.

WEST GERMANY

Hildesheim, Römer und Pelizaeus-Museum, Am Steine 1-2: Nofret, the exhibition covering Women in Egypt. For its last stop in Germany, the exhibition will carry 177 pieces, an extra 96. Some 30 objects are on loan from the Egyptian Museum in East Berlin. It is the biggest assembly of Pharoan Art. Ends Nov.

Aachen, Suermondt-Ludwig-Museum, Wilhelmstr. 18: 100 drawings, watercolours and plastics from Joseph Beuys, covering the fifties and sixties. Ends Sept 29.

Essen, Villa Huegel, Auf dem Huegel: Turkish culture and art from the Osman Empire. 500 works ranging from the 15th-19th centuries. The show includes glass, carpets, ceramics, miniatures and weapons. Ends Oct 27.

Cologne, Kunsthalle, Joself-Haubrich-Hof 1: The Fiancee Beloved, Sold, Exchanged, Stolen. The exhibition describes the role of women in different cultures and shows various marriage ceremonies. It also displays 2,000 paintings, photographs and costumes from various countries through the ages. Ends Oct 10.

BRUSSELS

Opera costumes from 1950 to the present including Zeffirelli's Rigoletto, Bosquet's Traviata and Karl Ernst Herreman's Clemency of Titus. Musée de Costumes et Dentelle. Until November.

ITALY

Florence: Museo Archeologico (Piazza SS. Annunziata) – The Etruscan Civilization: This is the first of a long series of exhibitions to mark The Year of the Etruscans, and shows the results of the most recent research into the Etruscan world. A useful history of this civilization's birth, development and decline. Ends Oct 20.

Florence: Palazzo Pitti (Sala Bianca): Modern masters from the Thyssen-Bornemisza collection: The pleasure to be had from this remarkable exhibition is that it reflects the taste and prejudices of one individual: one of the few left who can afford Corot, Manet, Gauguin, Picasso – and who is generous enough to send them to be exhibited in France, England, the U.S., Australia, Japan, and now Italy. This same collection, with a few exceptions, was seen at the Royal Academy in London last autumn. Ends Sept 29.

Rome: Palazzo Venezia (Piazza Venezia 3): Paesaggio Con Nigura – 57 works from the Borghese collection. The Villa Borghese, which houses one of the best patrician art collections in Rome, is likely to be closed for repairs for at least another year and some of the gems from the collection have been transferred to this site for the summer. Includes works by Titian, Veronese, Domenichino, Caravaggio and Dosso Dossi. Ends Sept 30.

Milan: Palazzo della Triennale: Alfa Romeo: A celebration of the company's first 75 years with photographs of key figures from its past, with project designs and vintage models. Ends Oct 30.

VIENNA

Vienna 1870-1930: Dream and Reality: The greatest names of the Viennese fin-de-siècle – Klimt, Otto Wagner, Schiele, Kokoshka, Aldolf Loos, Josef Hoffman – in a dazzling display of Jugendstil creative genius. The attempt to integrate the artistic achievements of this era with philosophical developments (notably Wittgenstein but also Freud) and political transformations (the emergence of municipal socialism on the ruins of Baroque splendour) is ambitious and only partly successful. The complex tension between autocratic and censored reality on the one hand and the illusions or fantasies of individual artists on the other is hinted at but not fully explored. A high point of the show is a reconstruction of Hoffman's room at the secession exhibition of 1902. Here, triumphantly restored, is Klimt's fifty-foot Beethoven frieze depicting humanity's progress through suffering to joy on the theme of the Ninth Symphony. Displayed exactly as intended, this alone is worth a special visit. Kunstlerhaus. Ends October 6.

NEW YORK

National Academy of Design: Culled from the larger Royal Academy exhibit, this view of Edward Lear's prolific career covers not only the famous illustrated limericks and verse but also landscapes and ornithological studies. Ends Nov 3.

WASHINGTON

National Museum of American Art: 35 paintings by Alexander Hogue capture the American Southwest through dustbowl and prairie in highly stylised evocative works from the 1920s to the present. Ends Nov 3.

TOKYO

Modigliani: 130 works in oils, watercolours, and sculptures. National Museum of Modern Art, Kitanomaru Park (near Palace and Imperial Hotels and parts of Tokyo's oasis near the Imperial Palace). Ends Sept 29.

Treasures from the Silk Road: 160 items from Central Asian area from 5th century BC to 10th century AD. Tokyo National Museum. Ueno Park, one of Tokyo's few parks. The greenery and space are a welcome respite from city concrete. Purchase an obento lunchbox for an instant picnic. Afterwards explore the park and surrounding area full of history. (The nearby Shitamachi Museum, consists of a reconstructed tenement – typical dwelling of inner-city families in 17th-19th centuries.) Ends Sept 25. Closed Mondays.

NETHERLANDS

Amsterdam Rijksmuseum Printroom Continuing its centennial celebrations, the museum has put together a revealing exhibition of 60 of its finest Rembrandt drawings supplemented by a further 60 by anonymous Rembrandt pupils and followers to illustrate the extent of the master's influence. Ends Sept 29.

SWITZERLAND

Martigny: Fondation Pierre Gianadda: 250 Klee paintings in the striking modern gallery built over the Roman ruins of the city of Octodurus. Ends Nov 3. (026/22978).

Museum matters

Beneath the scholarly surface of the nation's museums there are some substantial tremors. Perhaps the most important to erupt is the reluctance of the national museums, such as the Tate and the National Gallery, to lend their paintings, or other works of art, to the regional museums.

Traditionally works of art flowed in both directions. If Southampton, for example, was mounting an exhibition of its nautical past it could expect the NPG to give it temporary access to a portrait of Lord Nelson. Not any more.

The problem is that the Government is refusing to guarantee an indemnity if anything happens to the work. Governments are always reluctant to insure their own possessions but in the past a national museum was certain that if it lost a masterpiece, through malicious damage, or fire, or plain misadventure, while it was on display in a provincial gallery the government would recompense it. Now the Office of Arts and Libraries will only go so far as stating that it would "be prepared to consider a claim." This is not good enough for the directors of the nation's main treasure houses.

As a result the Tate Gallery has refused to lend a picture to a planned exhibition at the Leicestershire Museum, and Leeds has actually had to cancel a show because it could not guarantee getting some key works. Ironically the situation does not apply in reverse—provincial museums can lend items to the national institutions with no worries about indemnities.

The Museums and Galleries Commission, whose annual report for 1984-85 came out yesterday in a bright new format, is pressing the Government to clear up this anomalous situation. The commission has only an advisory role but it seems to be presenting a higher profile, necessary at a time of change for museums, with admission charges a live issue again.

The commission thinks it is up to the trustees of individual museums to make up their own minds on admission charges, but is concerned at the Victoria and Albert's proposal to "strongly encourage" visitors to pay £2 each from November; the commission would prefer a cut-and-dried approach—either free entry or a fixed charge.

The commission is also monitoring closely the Government's proposed changes on the funding of the major museums; it is suggested that in future museums should keep any additional revenue they make from bookstalls, restaurants, and so on, but, as a quid pro quo, should have a 5 per cent cut in their government grants. Some small institutions might not be able to boost their income by 5 per cent, and so could suffer a loss in revenue.

Antony Thorncroft

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Reforms in South Africa

THE LATEST measures foreshadowed by President Botha and in a report by the President's Council to reform the system of apartheid are a landmark in the country's history and should be welcomed as such. *It is true that the fundamental issue of the black population's political rights has not yet been tackled and will remian an explosive factor in South African affairs* until it is, as will the continued incarceration of some of the main black political leaders, like Mr Nelson Mandela. But in proposing to restore South African citizenship to some 8m blacks who were deprived of it under the "independent" homelands system and the abolition of the hated influx control and pass laws system, the Pretoria régime has hammered a nail into the coffin of its cherished philosophy of separate development.

The homelands are a central feature of the system devised by the post-war generation of South African leaders, notably Dr Hendrik Verwoerd, to ensure the continued existence of a white-dominated South Africa.

A highly dubious concept from a political, social and moral point of view—some 3m blacks are estimated to have been moved against their will to the homelands from other parts of the country—the system has foundered mainly for economic reasons. *The homelands,* only four of which chose to become become "independent," have never been fully viable. Their natural resources, in most cases, are few, and more than 70 per cent of their male population has been obliged to find work in the republic, of which they were no longer citizens.

Pass laws

The changes foreseen by President Botha do not involve the abolition of the homelands. But the abandonment of the concept of separate citizenship, even though it is in the guise of dual nationality for the inhabi*tants of the fouh* "independent" lands, undoubtedly undermines the philosophy of separate development.

This is particularly true when *seen in conjunction with the* proposals, made in the report of the President's Council, for the abolition of the pass laws, which have been the other main pillar of apartheid. If blacks are able to move more freely around the country in the future and are allowed officially to reside permanently with their families in their place of work, the homelands *will* become even more irrelevant

As important as the measures themselves, are the reasons why President Botha has decided to *make them public* at this time. It is hardly credible that it has taken Pretoria so many years to come to the conclusion, in the words of the report of the *President's Council,* that "influx control measures, as applied at present, are discriminatory and are in conflict with basic human rights."

What has clearly changed President Botha's mind, or at least made him bring forward steps which he wanted to take over a much longer period, is a combination of internal and external pressures over the past few weeks which has threatened the political and economic stability of the republic.

It is common knowledge that President Botha faces strong opposition to what are seen as his dangerous reformist ideas from the ultra-nationalist section of the white community and the extreme right of his own party. But it was a fundamental mistake not to have announced the proposed reforms that were made public this week, at the Congress of the Nationalist Party in Durban in the middle of August, after all the advance publicity that they had received.

If he had done so, the subsequent financial crisis, fuelled by a loss of confidence in the economy during a period of growing political and social unrest, might perhaps have been avoided.

The lesson to be learnt from the events of the past few weeks has two sides to it. For South Africa it is now obvious that it can no longer avoid sweeping reforms of its political and *social system if it wants to* maintain the inflows of capital which are necessary for its economic development. For the rest of the international com*munity, it has become clear that* it can at least exert real influence in pushing Pretoria further in the right direction.

New policies for arms procurement

COMPETITION and collaboration are the new watchwords in British defence procurement policy. One or the other or both are essential if a comparatively small country is to achieve value for money in its weapons systems. Britain's costly torpedo programme over the past 25 years illustrates the weaknesses which ned to be corrected. The full costs of the decision to "go it alone" on torpedoes and the consequences of excessive reliance on a single national supplier are well drawn out in a report published this week by the Commons public accounts committee.

Three torpedo projects are now under way in Britain; the heavyweight Tigerfish and its successor, Spearfish, for use by submarines; and the lightweight *Stingray torpedo,* the principal submarine weapon of ships, aircraft and helicopters. Marconi Underwater Systems is the main contractor for each torpedo.

None of the complete torpedo systems is yet fully operational. The Tigerfish system has been under development since 1959 and although intended to be in service by 1967 is still not usable. In the Falklands war the Royal Navy was obliged to use pre-Tigerfish technology to sink the Belgrano. In May the Ministry of Defence was still unable to reassure the Commons committee that its successor, the much more sophisticated Spearfish, would arrive on time. The Stingray system is said to be at the "difficult transition stage between development and production."

Responsibility

By the mid-1990s, taxpayers will have spent more than £5bn (in 1984 prices) on the three *torpedoes,* even *Mr Peter* Levene, the new chief of defence procurement, has admitted he was "staggered" by the scale of resources devoted *to the programme.*

If the management and technical headaches of the 1960s and 1970s had been ironed out, the Commons report would be only of historical interest. Unfortunately, this is far from the case. According to the report the BoD still lacks adequate information on contracts and cost. Most important, it has still not fully clarified its relationship with the main contractor. It has still not decided whether the company should take full responsibility for the Stingray and Spearfish weapons systems as opposed to the torpedoes alone.

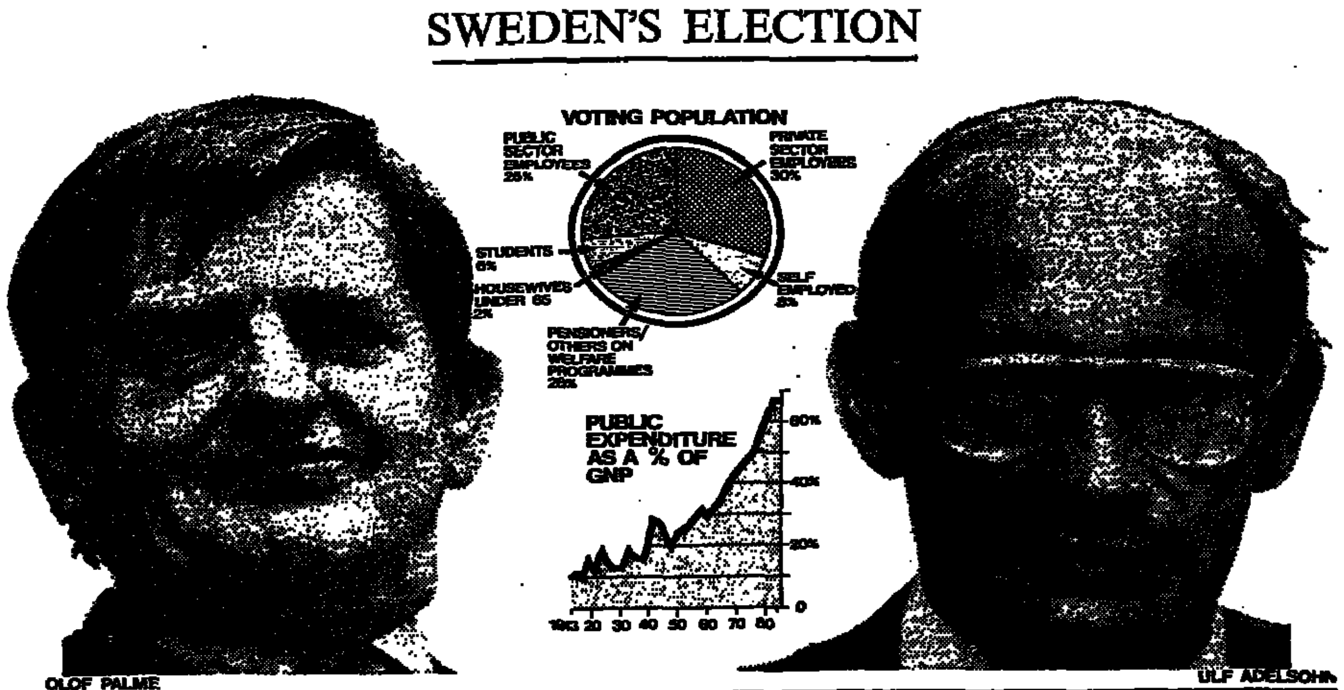
In deciding future torpedo *policy the Government is some*what hamstrung by past mistakes. International collaboration on the successor to Tigerfish should have been sought *but was not. The MoD* now accepts there is an "enormous duplication of work within Europe;" hence unit costs are higher for everybody and export *prospects very limited.* Likewise, the MoD's decision in the 1960s to farm out its torpedo research and development work to a single company now looks unwise. The difficulty, however, as Mr Levene candidly admits in his evidence, is that short of throwing in the towel and buying off the shelf in the U.S. *the MoD now has little option* but to drive the hardest bargain possible with its monopoly supplier.

The case for making Marconi *fully responsible for the com*plete Stingray and Spearfish weapons systems is that if they fail, somebody—the prime contractor — can be held respon*sible and perhaps* be *made to* suffer financially. According to the Commons committee, many of the headaches with Tigerfish reflect the fact that "no one person was in charge of the total weapons system." Responsibility for the project was divided between the MoD, the Navy, and industry, and chaos resulted.

Equally important, prime contractorship seems the best way to maximise competition at the sub-contractor level, which in the torpedo programme is the only place where it can occur. A prime contractor on a fixed price (rather than cost-plus) contract has a strong incentive to seek the most efficient sub-contractors.

With hindsight, it is doubtful whether Britain should have embarked single-handed on so ambitious a project as the torpedo programme. *The financial and technical resources in*volved might have been better employed in winning commercial high-technology markets. The saga underlines the importance of seeking cost-sharing collaborative ventures in defence procurement, of attempting where possible to maximise competition (even if it is only at the sub-contractor level) and of establishing a clear customer-supplier relationship with the main contractors.

SWEDEN'S ELECTION



Martyn Barnes

The 'people's home' starts to show the strain

By Kevin Done in Stockholm

WHEN Sweden's 6.3m voters go to the polls on Sunday, it will be the first time that an election *in the western world. has taken* place in which an absolute majority of the electorate is dependent on the public sector —either for work or support.

Sweden is a singular country. For 47 of the last 53 years it has been dominated by a single political party, the Social Democrats, closely supported by their allies in the labour movement. That extraordinary political continuity has enabled the Swedish labour movement to build up probably the most comprehensive system of state-directed social welfare the world has yet seen. Sweden has nonetheless managed over the years to foster the conditions for the development of some of Europe's leading multinational corporations, such as Volvo, Electrolux, ASEA, Saab-Scania and Ericsson.

Sunday's election will be a major test for the country's social welfare system.

But whatever the result it is clear that it will not be overthrown easily. The non-Socialist parties had their chance for six years from 1976 to 1982 and appeared too over-awed to do more than tinker at the edges. One election does not undo the work of more than *half a century and whatever* their political persuasion, Swedes do like their welfare.

More clearly than ever before, however, the country is being offered a choice in the 1985 general election between—in the simple terms of the two main parties' campaign slogans —the Conservatives' "Vote for freedom of choice" and "cut taxes," and the Social Democrats' "We want to develop social welfare not dismantle it."

On first inspection Sweden is deceptively similar to other developed western countries. Misleadingly it is often called the most American country in Europe — observers cite its enthusiasm for convenience banking and fast food and its close business links with the United States—but the description could not be more wrong.

In fact Sweden has gone further down the road than any other western democracy in pursuit of its ideal society—"folkhemmet," the people's home—a society based on values such as equality, social justice, security and solidarity. In the process it has built a form of social organisation and a public sector which knows no equal in *its size and scope.*

Sweden certainly has one of the highest standards of social provision in the world, but in order to administer and finance the system it has also built a state bureaucracy that intrudes more heavily into the private individual's affairs than most western countries would choose to tolerate.

The construction of the "people's home" has not been without considerable cost.

Sweden has the biggest public sector in the western world, with the share of public expenditure now more than 60 per cent of Gross National Product compared with the 30 to 50 per cent of most other industrial countries.

To finance such spending, the state has built up a mountain of debt—at more than SKr 550bn (£49bn) it is approaching 70 per cent of GNP. Interest payments are the largest single item in the state budget after the social services department, and the country carries the highest tax burden in the western world at around 50 per cent of GNP compared with an *average of some 37 per cent in* the OECD.

Recent figures from the OECD show Sweden and Denmark topping the league of personal income tax paid by the average production worker. Once expense-related income tax reliefs are taken into account, Sweden is in a league *of its own.*

The state's insatiable need for increased tax revenues is sometimes taken in extremes. In the early days of the present Government, the *Swedish* tax authorities were seriously asking whether the coffee and cakes provided by employers during the morning coffee break should be treated as a taxable benefit.

The imperatatives of taxation have meant growing intrusions into the personal life of every Swede. The Social Democrats' latest tax reform, for example, is aimed at simplifying the individual's income tax declaration form. But one result is that the banks from the beginning of the year are being forced to supply the tax authorities direct by computer with all information concerning individual's interest earnings.

It sometimes seems that the individual's privacy is being by-passed in the interests of the *more efficient functioning* of the state machine. For some time Sweden has employed a far-reaching system of personal identity numbers, which are *increasingly needed in most* personal transactions, from taking out an insurance policy to buying a season ticket on public transport.

The Conservatives in particular have not been slow to warn of the dangers of such a system. In the "Great Television Debate" of the election, Mr Ulf *Adelsohn, the* Conservative leader and would-be Prime Minister, went to some lengths to paint a picture of the "Big Brother" society in which the *state increasingly* presides over the individual's affairs. "You know best for all Swedes in all areas," he ironically told Mr Olof Palme, the Prime Miinster *and leader of* the Social Decocrats since 1969.

Elsewhere, too, the established order is under attack or is already showing signs of *crumbling.*

An essential piece of the Swedish *jig-saw* has been the highly-developed system for centralised collective wage *bargaining — the so-called* Swedish Model, which by many is seen as a cornerstone of the development of modern Sweden's industrial prosperity and as a reason *for the relative* peace of its labour market.

The system is breaking down, however, partly under the weight of the public sector with its constant demands for catch-up settlements with the private sector. As public sector employees account for an ever greater share of the Swedish workforce, industrial workers, whose export earnings still have to earn the country a living and who traditionally were the Social Democrats' core supporters, are increasingly feeling left out in the cold.

"*Have you forgotten the* workers, Palme?" asked the newspaper of the engineering workers, the most powerful Swedish private sector union, at its conference *earlier* this month. The engineering workers have already broken ranks once from the national pay talks—in 1983—in the search for a better deal.

Collective bargaining is claimed to be the jealously-held preserve of the unions and employers, but in fact the Social Democrats have fell themselves constrained to take an ever more active role in the process because of Sweden's desperate need to bring down labour costs and inflation if it is to avoid a new devaluation.

PARLIAMENTARY SEATS AND VOTING PERCENTAGES 1982

Party		
Conservatives	86	(23.6%)
Centre	56	(15.5%)
Liberals	21	(5.9%)
Christian Democrats	—	(1.9%)
Social Democrats	166	(45.6%)
Communists	20	(5.6%)
Others	—	(0.3%)
Non-Socialist bloc (Conservatives plus Centre plus Liberals)	163	(45.0%)
Socialist bloc (Social Democrats plus Communists)	186	(51.2%)

Although no longer held in such uncritical esteem as it was in the 1950s and 1960s, Sweden is still trying to pioneer new solutions in some key areas. The country is breaking new ground in labour market policy and particularly in the fight against youth unemployment and it has equally come up with new ways of organising the work process, for example at the Volvo and Saab automotive plants.

One reason why Sweden still has such an abnormally high number of very successful multinational corporations is the local resource of a highly trained and well-educated *workforce.*

Industry recognises this benefit, and it is only since the Social Democrats forced through their detested wage earner funds, that *industrial leaders have felt* into the opposition camp. (The funds siphon off corporate profits into trade union-controlled investment funds whose task is to buy up an increasing stake in Swedish equities. They represent the creeping "cancer" of Socialism, according to one leading industrialist.)

The social welfare system has undoubtedly given Sweden one of the highest standards of living in the world even if in absolute terms it has faltered in recent years.

Judging Sweden's success in terms of social and health care provisions is a diffcult prob*lem, but by most conventional* standards the country excels. It has one of the lowest rates of infant mortality in the world—its only rivals are neighbouring *Finland and Iceland—it has* more hospital beds available than any other country and virtually the highest number of doctors. Life expectancy is among the highest.

With a skill for management and organisation that characterises both the public and private sectors, Sweden is still one of the most efficient countries, generating more gross national product per capita than countries such as West Germany, Japan, the Netherlands, France or the UK.

Sweden has also been very successful in the fight against unemployment—the number out of work is currently running at only 3 per cent. *The country* has gone furthest, too, in establishing equality between the sexes in the labour market. More than 70 per cent of Swedish women work, a participation rate that compares with 38-57 per cent in West Germany, the UK, the Netherlands and France. Women account for fully 46.2 per cent of the Swedish workforce, although the upper echelons are still heavily male-dominated.

It is difficult to say whether female participation is so high because of a striving after equality of opportunity or because the burden of taxation makes it impossible for most families to survive on one income. It *does pose* vital questions about the role of the family in Swedish society, however.

If women must be at work then the state *must provide* day-care for children. One of the mhost typical pictures of any Swedish town is the father dropping off his young children at *the local "dagis" or nursery* school on ihs way to work in the early morning.

The issue of family policy in general and this most Swedish of *instiutions*—the *"dagis"*—has loomed large in the election campaign. One of the few promises made by the Social Democrats is that *by 1991 provisions* for child *day-care* will be developed to the point that every child over the age of 1½ has the legal right to a place in a municipal *"dagis."*

Harsh economic realities and not least the mountain of national debt have otherwise largely halted the Social Democrats' *bandwagon of expensive* social reforms, however.

In the 1985 election campaign, their apeal tot he Swedish electorate is essentialy defensive. It is a call to the barricades to defend the existing order built up with such painstaking care in the last half-century.

The Social Democrats are accusing the Conservatives of wanting to "change the system," to take from the poor in order to pay for tax cuts for the rich, to jeopardise employment for the sake of cuts in public spending and reduced inflation. Sickness and unemployment benefits, rents and fod subsidies are all under threat.

Such a campaign has sought conveniently to forget that the Conservatives only make up little more than half of the non-Socialist vote, that in Government their policies would be considerably diluted by the Liberal and Centre Parties and that by the standards of Conservative policies in many other Western countries, the Swedish variety is far from radical in any other context but the Swedish.

The election result is still perched on a knife-edge. It is unclear whether a majority of Swedish voters—"born free but taxed to death" in the words of *one favourite bumper sticker*—are still prepared to go on paying the high price for the benefits the Swedish system undoubtedly provides.

Men and Matters

Walker-Haworth's takeover

Merchant bank S. G. Warburg provided the first director-general of the Takeover Panei in the shape of the formidable Ian Fraser back in 1969.

Now, six or seven DGs later, Warburg's turn has come round again.

John Walker-Haworth, aged 40, is to move into the hot seat at the panel in December, leaving the present incumbent Tim Barker to return to Kleinwort Benson after a two-year stint.

A lawyer by training who spent ten years in the corporate finance department of stockbrokers Cazenove, Walker-Haworth is something of an unknown quantity on the London takeover scene, having spent much of the past eight years in the Far East.

He was posted there for three years with Chase Merchant Bank from 1977, and after a brief spell later in Warburg's London corporate finance department, he went back to Hong Kong in 1982 as md of East Asia Warburg, a joint venture between Warburg and Bank of East Asia.

He takes the reins after a fairly uncomfortable spell for the panel which was recently described by Ian Fraser as "wet."

According to Walker-Haworth, "It seems to have gone through a bit of criticism by the Press which I'm sure it will emerge from. These things are possibly easier from the outside looking in."

With the problems of the City Revolution looming up, this is a risky time for the panel to appoint a *director-general* who has only limited recent experience of corporate finance in London.

A rival merchant banker who knows him well thinks not. "He's tough enough and bright enough. It's one Hell of a good choice," he says.


"I know it's out of date—I hoped this line would be driver-only weeks ago"

Indian cash call

The leader of a band of British Columbia Indians has emerged as a key *figure in efforts to* rescue Northland Bank of Calgary, one of two Alberta banks put under curatorship last week in the first bank failure in Canada *since* 1923.

Chief Ronald Derrickson, head of the Westbank band of Okanagan Indians, has parlayed meagre earnings as a welder and *farm* hand during the late 1950s into a fortune which he says runs to tens of millions of dollars.

Much of the money has come from leasing pieces of land in the bank's 5,800-acre reserve along picturesque Lake Okanagan for use as homes, caravan parks, tourist centres and mobile home villages.

The band's business *interests* now include a construction company, a vineyard, and numerous financial services. But success has not come without controversy—police and Canadian government officials have launched a *dozen investigations into* Westbank's busines affairs since Derrickson took over as chief in 1976.

The band has a significant *shareholding in Northland* Bank. Derrickson, who has been a board member since May 1984 says he is determined not to lose the money the band has sunk into Northland.

But unless he can find a White Knight soon to come to the bank's rescue, Northland faces provisional liquidation.

Insider

Lloyd's insurers appear to have friends in high places. Michael Howard, the new Parliamentary under-secretary for corporate and consumer affairs, is an underwriter at Lloyd's himself.

If the records of individual Lloyd's insurance syndicates are correct, as prepared by various groups of Lloyd's members, the syndicates in which Howard participated gave him overall an above-average return in the last underwriting account.

Howard has confirmed that while he is in his current job his underwriting at Lloyd's will be "in suspension." This means that trading will not be carried out on his behalf.

Howard is not the only MP to boast a Lloyd's membership. *At least fifty Conservative MPs* are members.

Yeo's travels

That peripatetic American, Edwin Yeo, whose career has already taken him to most ends of the international banking business, is about to make another move.

At 51, he is leaving Morgan Stanley, the blue chip investment bank, to become a consultant to the New York federal reserve bank, and its president Gerry Corrigan.

The move marks a return to public service for the Pickwickian-looking Yeo who is best-known in Europe for his tenure of the under-secretaryship for monetary affairs at the U.S. Treasury in the Ford Administration in the 1970s. At that time he became particu*larly* well-known in London through the British financial crisis and dealings with the IMF.

Then he had an unhappy spell at the First National *Bank of Chicago, which was* itself going through a crisis. He left to become an advisor to the Chicago City administration. The job at Morgan *Stanley followed* in 1981.

Yeo apparently wants to get back into the public sector and the idea of his joining the New York Fed "evolved over *time" according to a spokes*man there. Yeo will be particularly valued for his personal contacts, and his expertise in key areas like securities markets and bank regulation.

Rattles raised

Should babies be given the vote? In Sweden, at least, the issue is being taken seriously.

The Swedish Paediatric Association is proposing that the *nation's 2m children should be* enfranchised with the idea that parents exercise the vote for a child until it is 18.

The society is worried that *the government pays scant* attention to the health and welfare of families with children, in comparison with workers and pensioners.

"*The most important* reason why society pays so little attention to children is quite simply that it is not especially profitable politically," says assistant professor Claes Sundelin of Uppsala Hospital, the society's chairman. "We think the right to take part in the political process begins at birth."

The Justice Ministry is deferring a judgment until after the general election.

Observer

Politics Today

The SDP in Torquay: the changing face of Britain

By Malcolm Rutherford

MAY BE it was like the Sri Lankans, who won their first test match this week after only three years in the international cricketing arena. The real question is: where do they go from here?

Still, the conference of Britain's Social Democrats was a remarkable success. Even before the conference, the Marplan poll in the Guardian suggested yesterday, the SDP-Liberal Alliance had a national lead: Alliance 35 per cent, Labour 34 per cent and the Tories 30 per cent. It would not be surprising, to put it mildly, if the lead were to increase. The SDP has indeed come of age.

Nor is it any longer a one-man band. Dr David Owen is the undisputed leader, more secure in his office than perhaps any leader of any other British party. But he now has officers and troops. Some of the other SDP MPs came out very well: Mr John Cartwright, Mr Robert Maclennan and Mr Ian Wrigglesworth, not forgetting Mr Roy Jenkins, who made one of the best speeches I have heard at any party conference. It was a powerful performance for a group that still has only seven Members of Parliament.

What the conference revealed is that there is again a genuine political debate in the country, a search for alternative policies and for the answer to the question: where does Britain go from here? People have started talking to each other and stopped shouting.

It was clever to hold it in Devon. Some 20 to 30 years ago when the Liberals began mounting the first post-war challenge to the two-party system Devon was generally regarded as an extension of the Celtic fringe: charming and attractive, but also quaint and eccentric. Mr Mark Bonham-Carter won a famous by-election there, in Torrington in 1958. It was the beginning of the Liberal revival. Although he lost the seat in the general election a year later, he probably paved the way for Mr Jeremy Thorpe to win in Devon North.

As Liberal Party leader, Mr Thorpe fought the general election of February 1974 on a slogan of changing the face of Britain. This is what seems to be happening.

There has been a change in the political geography of the country, and also in social trends. Far from a county like Devon looking eccentric, it now looks like the wave of the future, a place where people want to live. Most of it is neither depressed, nor poor.

The Social Democrats' first choice of venue was actually Bath, but the same arguments apply. Bath, too, has a tradition of a strong vote against the two major parties. It is far enough away from London to be independent of it and have a life of its own; though the metropolis is also within easy reach.

In other words, the British fringes—Celtic or otherwise—have ceased to be remote. They may even be taking over.

You can see that not only in the Parliamentary by-election results but, perhaps more importantly, in the results of the county council elections in England last May. There were elections in 39 counties altogether. In 19 of them the Alliance parties won over 30 per cent of the vote.

Those 19 counties make a very interesting geographical and political list. They include Berkshire, Buckinghamshire, Cambridgeshire, Dorset, East Sussex, Hampshire, Hertfordshire, Kent, Northumberland, North Yorkshire, Oxfordshire, Surrey, West Sussex and Wiltshire.

There were five other counties where the Alliance parties polled more of the vote than either of the major parties: Cornwall, Devon, Gloucestershire, the Isle of Wight and Somerset.

Northumberland is worth a note of its own because it is the only county where the Alliance rose above 30 per cent (35.4), but came second to Labour, not the Tories.

With figures like that, it is very difficult to resist the conclusion that there is a profound social and political change going on in the country. All the counties mentioned are among the most attractive to live in in England. It may be too much to say that people are following the American example, after the decline of the old industries, and setting up in nicer places where the climate and general environment are better, taking the new, smaller, high-tech industries with them. But there must be something in it.

These counties are very much Alliance territory—in keeping with idea of the "new politics." It is notable, for instance, that Mr William Rodgers and Mrs Shirley Williams, two of the SDP's founding members, are seeking Parliamentary seats in Milton Keynes and Cambridge respectively: symbols of the high-tech new Britain that might yet take off.

Slightly fortuitously perhaps, there was another reason why Devon was a good choice of venue. As a result of the bomb attack on the Tories at Brighton last year, this was the first party conference in Britain to be held under conditions of almost total police surveillance. It was a good place to try it out.

The West Country has a tradition of "soft" or community policing. Although the Palace Hotel was a relatively easy site at which to begin the experiment, since it is akin to a spacious walled fortress, and security at Blackpool where the Tories go next month will be much more difficult, the police were unfailingly courteous. Their presence was accepted as unavoidable, even desirable, though what a change that is in the British way of life.

As it happened, the riots in Birmingham broke out while the conference was going on. That served to draw attention to methods of policing. How to maintain law and order in a civilised way has now become a central part of the British political debate. One doubts if the Tories will be able to get away much longer with a policy of paying the police more and seeking short, sharp shock treatment, and sometimes longer sentences, for those convicted.

Even before the violence in Birmingham had erupted, Mr Jenkins, a former Home Secretary, had told the conference that governments "cannot much influence crime levels and that they merely dig a pit for themselves when they try to turn it into a partisan issue."

It has long been a political maxim of mine that the Tories would be in trouble if they ceased to have the edge on law and order. That point may be approaching.

So much for the sociology. What about the politics? It should be recorded that the Social Democrats are very concerned about the apparent north-south divisions in the country, though the high Alliance vote in Northumberland should be evidence that it is not quite as simple as that.

The concern—and this is not peculiar to the SDP—is more about the mis-match: the disparities between those in work and those out of work, those in high-tech and those in low-tech, high-grade scientific research and low-level marketing, between urban and rural development, the distribution of wealth and the anomaly of Britain whose standard of living, Dr Owen reminded the conference, has been overtaken by Italy, continuing as the world's third nuclear power with the acquisition of Trident.

If the conference had a single theme, it was about how to bring the mis-match to an end to promote a fairer society while encouraging wealth creation: combining the best of Labour ideals with the best of Mrs Thatcher. It did not produce many answers, but at least there was a dialogue between people who now think that they have a reasonable chance of power, or at any rate power sharing.

Some problems were resolved, especially within the Alliance. Mr David Steel, the Liberal leader, moved his party closer to the SDP position on cruise missiles. So did Mr Paddy Ashdown, the Liberal MP for Yeovil, who last year seemed to be a unilateralist. The emerging Alliance policy is that the missiles will not be removed from Britain so long as there are arms control negotiations between the superpowers in Geneva.

It is a fudge, but fudge is a central part of politics and was only given a bad name by the Labour Party carrying it to excess. Acceptance of compromise is perhaps another sign of the SDP having come of age.

Equally striking were the subjects not much discussed. The old arguments between the Liberals and the Social Democrats over the distribution of seats to be fought seems to be over except in a handful of constituencies. There is no disposition to revive it.

Dr Owen and Mr Steel between them have effectively rejected the argument that there should be a single Alliance leader before the next general election: always a silly and impractical idea in the first place. It is not on, because it is unclear who should stand down or why. Besides, the strength of the Alliance is that it is composed of two parties and two leaders working together. Any decision on single leadership must await the election result.

Possibly most important of all, the view that a vote for the Alliance is a wasted vote has been hit for six. The opinion polls, the local and by-election results and the way the two parties have come to understand each other at the grass roots all deny it. The Alliance is now a very serious threat, at least to the Tories.

When I came back to London, I read that Mrs Thatcher had been complaining about "moaning minnies" in the north east. It sounded like Harold Wilson, something she said she would never do. She is going to need all her old political skills to face the Alliance challenge.

David Owen (batsman) with Shirley Williams (wicketkeeper) and Ian Wrigglesworth (left) and Michael Hancock

Lombard

Consequences of takeover fever

By Richard Lambert

TAKEOVER FEVER is sweeping the financial markets, and it is easy to see why. A successful management record is no longer an adequate defence against a hostile bid, as Arthur Bell found to its cost, and nor is size. Allied-Lyons, valued at £1.9bn, is having to treat seriously the possibility of an unwelcome bid from Elders IXL, which is a quarter of this size. If such bids are possible, then anything goes.

One explanation is that the world's commercial banks, fresh from their triumphs in the third world, have decided that the corporate market is the place to be, and that the prospect of future cash flow is a perfectly adequate security for loans. Asset backed lending looks as outdated as bowler hats. The search for such business goes well beyond national borders: the U.S. corporate raiders are receiving banking support from all around the world, and there are no British banks involved in the Citicorp-led consortium which is behind Elders.

Another explanation is that there are fewer investors around these days, at least in the proper sense of the word. The institutions which dominate the shareholder lists of most companies are increasingly playing the part of speculators: that is, they are adopting very short term time horizons, and acting as paper shufflers rather than proprietors.

On the basis of last year's figures, pension funds were turning over their shareholdings at a rate which implied an average holding period of six years—which is still at least a medium-term period. But the pension funds in particular have shown themselves willing to take quick profits in takeover bids.

Institutions would rather take a short term profit than attempt to bring about necessary changes in the companies of which they are the nominal owners. For example, Distillers does not need a Jimmy Gulliver to give it the sharper management that is necessary. But Mr Gulliver is now regarded as a credible bidder for the company.

The evidence suggests that most takeover bids do not achieve their objectives. What institutional shareholders gain over the short term by selling out takeover victims they are likely to lose over the longer term through their shareholdings in the "victors." But such academic considerations count for little in the present climate.

Does it matter much? After all, capital is simply being recycled in the financial markets, and the net cost is limited to the fees being paid out to financial advisers (who will also, no doubt, be happy to lend a hand with the financial reconstructions which are likely to follow some of the more outrageous bids).

There are, however, two general causes for concern. Hostile bids, it is fashionable to argue, provide a spur to inefficient managers. Yet taken to extremes, the reverse may be true. Faced with such threats, managers may place job security above the long term health of their business. Projects with a long term pay-off may get pushed aside in order to maximise short term earnings. Activities which may need a few years to reach viability are more likely to be chopped than cherished if managers are permanently looking over their shoulders.

Worse than that are the cases where managers build barriers against predators which positively damage their business. Extreme examples are the scorched earth and poison pill tactics adopted by some U.S. companies. On a more modest scale, companies may themselves make unwise bids, or sell off important activities, to make themselves less attractive.

A second reason to be worried is that speculative booms have a way of being followed by busts—which bring excesses of a different kind. Decisions about the ownership of companies, or the allocation of portfolio investments, are much better left to market forces than to government directives. But unless the investing institutions start to behave like owners rather than speculators, this position may be harder to argue in a couple of years' time.

Letters to the Editor

Tina's opposite number

From Mr P. Altuzarra

Sir,—God in His Mercy did the French a great favour — He did not make Keynes a Frenchman. Hence the quasi absence of economic debate over the last four decades and the very feeble influence of economists — a rare species anyway — over French economic policy.

A large consensus has always existed, entertained by the Enarques a social category not especially prone to originality which lives by the Japanese motto — duty and discretion. This consensus has nonetheless developed.

Planification, though still there, has been dropped from the Guallian pinnacle of *ardente obligation* to the realm of sacred relics.

More important, the consensus has quitely changed faces: from LAMES *(la meilleure solution)* it became through rather obscure Anglo-American alliances PAS *(pas d'autre solution)*.

Today market orientated policies are advocated by everyone and applied with rather surprising fervour by the present Government.

PAS after two rather tumultuous years is now more powerful than ever, but still rather discreet compared with his outspoken English parent TINA (there is no alternative). The old fellow is riding high again and moves with increased momentum through the red carpeted corridors of power — his only enemy FIN *(faut-il nationaliser?)* will probably never care to fight.

PAS has a more diminutive theoretical framework than TINA (you have to remember his peasant origins): he believes he knows why the Japanese carried out Keynesian policy in 1931 without Keynes (what Kindleberger calls the Japanese riddle) and supply risk policy long before Laffer — they are smart and they work hard.

P. Altuzarra.
*19 rue de Sevres,
75006 Paris.*

Equality of opportunity

Sir, — I anticipated that Mr Mitchell's letter (September 5) would antagonise readers and bring forth a flurry of replies, including the old complaint that parents with children at private schools pay "twice" for their education. The fact is that every tax and ratepayer (even if childless) contributes to give all the country's children a supposed equality of education opportunties, and that is the system the British have chosen.

If the influential minority who send their children to private schools were forced to use state schools, then I am sure there would be massive agitation to ensure adequate funding and a better standard for all.

Karol Gorny.
28, Aubreys, Letchworth, Herts.

Guerrilla war in the classroom

From the General Secretary, National Union of Teachers.

Sir,—Your leading article on the teachers' pay dispute ("Guerrilla war in the classroom," September 10, thrashed about all over the place but made no suggestion as to how to solve it.

Worse still, you now appear not to accept the independent evidence of the pay data working party showing that teachers' pay has declined by 34 per cent in relative terms since the Houghton report of 1974. There is nothing "alleged" about this statistic; it's a sad fact.

Of course this union is worried by the Government's "firm line"; so is every teacher and so should you be. It is this "firm line" that is preventing a resolution of this dispute. Every teachers' union has come up against Sir Keith Joseph's inflexible attitude.

Unless a stand is made this year against the years of erosion of teachers' pay — and NUT's action has already lead to the pay offer being raised from 4 to 6 per cent — the position by the end of the 1980s will be infinitely worse.

If the Government is not prepared to budge, a judgement has to be made on one simple question; which is worse, a demoralised and disaffected teaching force or a teaching force which is prepared to disrupt our schools in order to put an end to that demoralisation and to benefit our children in the longer term? For its part, the NUT is not prepared to allow the Government to erode teachers' pay any further.

Fred Jarvis.
*Hamilton House,
Mabledon Place, WC1.*

Housing costs

From Mr A. Harper

Sir, — Joan Grey's article "Cheaper home loans fuel faster increase in (house) prices" (September 7), coming as it does amidst debate on rating reform, is worthy of some analysis.

The housebuilding market, like most others, is fiercely competitive, with the result that many private builders have turned to renovation of dilapidated council estates to produce homes for first-time buyers, selling houses at up to a third less than normal price. How? Because there are no land costs.

The market for buildings, whether residential or commercial is just like any other; consumers prefer to buy the lowest-price, best value bargain available and producers will compete into excess supply until some firms fail.

So when we read that falling interest rates have helped push prices up 15 per cent in Greater London, surely most of that rise must have been reflected in inflated land prices, not house prices.

A tax on land values would siphon most inflation out of our bloated system.

Arnold J. Harper.
31 Russell Road, SW19.

Prompt payment of debts

From the Group Finance Manager, Thames Rico Service Stations

Sir,—I read with interest Mr Bosworth's comments (September 9) regarding cash flow and type of credit control approach. While agreeing substantially with his comments with regard to small companies chasing large companies for payment, I would disagree that legislation, or at least the streamlining of court operation, is not necessary for the reverse situation.

I have recently had the frustrating situation, mirrored I'm sure up and down the country, of chasing a small company which does not return calls, makes numerous promises regarding payment which it breaks, and can only be coaxed into any response by court actions. The problems of initiating such court actions in terms of form filling (crossing the last t and dotting the last i) have held up effective action for months.

I suggest that the relevant procedure and the forms are radically overhauled to make them more comprehensible and swifter in effect.

The procedure for small claims should be designed to aid the creditor to resolve debts swiftly and cheaply, not entangle him in a further web of delay and paperwork.

There are far too many companies who utilise the frustrations of our legal system to avoid payment until the eleventh hour; I suspect often in the hope that the company will cut its losses and write off their debt.

S. J. Biddle.
*Greycaines House,
Greycaine Road,
Bushey Mill Lane,
Watford, Herts.*

Elected leaders

From the Joint Treasurer, Welsh Liberal Party

Sir, — It is unfair of Mr O'Shea (September 5) to imply unfairness by anybody. Two errors of memory or selective attention to news sources invalidate his second paragraph: two of the four main UK political parties elect their leaders by ballot of their members. David Steel was chosen in a Liberal "general election" in which MPs and every other member had one vote as a member of an affiliated constituency Liberal Association. At the time, membership registers were held by the constituency associations, so these associations were alloted votes directly in proportion to the Liberal vote in the constituency at the previous parliamentary election, and the distribution of these votes between the candidates was directly in proportion to the members' votes. His eventual successor will be chosen by a direct ballot of all members, as a central register of members now exists. The SDP started with national registration, and Roy Jenkins was elected by a direct ballot of members, and David Owen was unopposed. At all levels of the Liberal Party the officers and members of committees and councils are elected annually by the membership, and when there are more than two candidates the proportional principle is used.

The first Alliance Government may have to come as the result of an election as manifestly unfair as that which gave us the present administration. Though the vote for the Tories was inferior to that which lead to the resignation of the Heath government, it was rather over a third of those voting and the rather under two-thirds was split about equally between the two alternatives. The result: a landslide of Tory MPs and, though the alternatives were differentiated by a mere ½ per cent, the remaining seats were alloted in an approximately 10:1 ratio between them. Liberals and Social Democrats do not tolerate this sort of perversion of democracy within their own parties, and the second Alliance Prime Minister will have been proposed and elected democratically.

(Dr) G. A. Morrison.
*32, North Parade,
Aberystwyth, Dyfed.*

FINANCIAL TIMES

Friday September 13 1985

Triumph and tears for a ball park hero

BY TERRY DODSWORTH IN NEW YORK

HE IS 44 and thickening a little around the waist, but Pete Rose still plays baseball like a kid in the street and for the last month the whole of America has been on tenterhooks as he inched towards his personal version of the American dream – the 4,192nd hit that would put him into the record books as the biggest Major League hitter of all time, beating Ty Cobb's 57-year-old record.

When it finally happened on Wednesday night, in the Cincinnati stadium where Rose had started his professional career, the emotion which oozed out of the ball park was as tangible as the fireworks crackling through the stands and the streamers floating on to the field. It was so strong, indeed, that Pete Rose did a perfectly unpredictable thing, as he struggled out of a ruck of excited colleagues, and his son leapt into his arms: he broke down and sobbed.

Tears are as rare in Pete Rose's life as a playing day without a hit. His favourite adjective is "tough," and one of the reasons he is admired so much is that he plays the game like a true American hero, without ever asking – or giving – quarter. "I'm a tough sonuvabitch" he told newsmen later. "I really didn't plan to get emotional."

A little touch of emotion, of course, never does anyone any harm in America, and the story will simply add to the Pete Rose legend. It is already a wonderful sporting tale – of a local boy who made good, of a true loyalist in a world of sporting mercenaries, and of a man who has fought his way to the top through sheer grit.

The grit is recognised by everyone. One of his opponents on the field caught this macho image just right the other day, when he said that "when you hit him with the ball, you don't feel bad." Rose himself is always barging his 210 lb frame into rival fielders as he dashes for base, but people take it from him because they know there is no malice in it, just a sort of exuberant absorption in the game.

The absorption, inded, is part of Rose's appeal. He is not a player with great natural flair, and rather like Geoffrey Boycott, the Yorkshire cricketer, he is always being unfavourably compared by the baseball aficinados with the great hitters of the past. But Rose has confounded the critics by working at his game, never giving up and playing for the team. "First came baseball, then came his car, then came me," his divorced wife once said.

In the last few months Rose has turned all of this into a huge advertising industry. As the tension has built up over his record through this season, his chunky, bruiser's face has become one of the most ubiquitous sights around, from advertising breakfast wheaties, to Hertz Rent-A-Car. Hertz took a full page in the New York Times yesterday

Baseball itself must be glad of the hoopla as well. The game is currently going through a terrible blow to its image, as some of the leading stars in the country appear in court to testify about rampant use of cocaine in the early 1980s.

Peter Rose says he has never taken a drink of liquor in his life let alone cocaine. No wonder President Reagan felt it was safe to call him at the ground on Wednesday with his own personal congratulations. "You missed a good game" Pete said

Nissan a threat to UK jobs, says Ford chief

By Kenneth Gooding, Motoring Correspondent, in Frankfurt

FOR EVERY job created by Nissan in the UK, two will be lost from existing manufacturers, Mr Robert Lutz, chairman of Ford of Europe, said yesterday.

This is because the Japanese group is being offered terms much more favourable than those that apply to existing car manufacturers in Britain.

Nissan was able to select a greenfield site, take maximum government grants, had a special deal with the unions and would employ a young workforce, which would keep its pension payments at a very low level for 15 years. None of this was available to Ford, General Motors or Austin Rover, Mr Lutz pointed out.

Speaking after addressing the Financial Times World Motor Conference, Mr Lutz repeated his call for the European Commission to monitor carefully Japanese car assembly in Europe to ensure that domestic content of at least 80 per cent was reached.

He went further than before, however, by suggesting that the 80 per cent should be measured by the weight of the finished car. Only in that way would the Japanese have to produce engines, transmissions and axles in Europe, thus creating new European jobs.

The present way of measuring local content by ex-factory value allowed the inclusion of such things as legal fees, hotel bills and advertising – all benefiting the service industries which in Europe were already highly competitive – while allowing engines and transmissions to be imported from Japan. Mr Lutz defended his position by pointing out that for 25 years the Japanese had built their motor industry, because it was an "infant national industry," behind a protectionist wall.

"We should not be reluctant to do the same thing to promote the rebirth of industries in the West."

Mr Lutz estimated that the Japanese would lose 30 per cent to 40 per cent of their cost advantage in the U.S. – generally believed to be about $2,500 for a small car – by setting up assembly plants in the U.S. The strength of the dollar made it much more profitable to export cars from Japan.

Mr Lutz also said an announcement about talks between Ford and Fiat would be made before the end of this year to clear up the uncertainty created within both organisations. He made it clear that the talks involved questions of sharing some development, engineering and production costs and some components, but that the Fiat and Ford brands would be kept separate.

Agnelli points way, Page 2;
Jaguar results, Page 30

Bonn bid to avert row over telecoms

By Peter Bruce in Bonn

WEST GERMANY has asked the U.S. Government for talks over U.S. entry into the lucrative but tightly-controlled German telecommunications market in an attempt to head off possible U.S. trade action against Bonn.

Talks could take place next month, but the U.S. authorities are understood to have reservations about an agenda proposed by Herr Christian Schwarz-Schilling, the West German post minister, arguing that it is too narrow and concentrates chiefly on the telecommunications trade balance between the two countries rather than on German restrictions on the flow of computer data across national frontiers.

Possible action against Bonn was discussed in Washington on August 27 in the office of the U.S. trade representative. A few days later President Ronald Reagan announced a wide-ranging series of unfair trade practice investigations involving the European Community, Brazil, Japan and South Korea. It is understood that West German willingness to discuss its telecoms market with the U.S. probably helped to head off any hurried U.S. action.

Herr Schwarz-Schilling met Mr Malcolm Baldrige, the U.S. Commerce Secretary, in Washington in July. Mr Baldrige is known to have expressed strong concern about difficulties that U.S. equipment manufacturers and (mainly financial) service groups have in doing business in West Germany.

U.S. banks and financial institutions complain of very high West German tariffs, but also charge that the West German Bundespost restricts the growth of efficient private international networks by restricting users to certain types of equipment, and places restrictions on the way information may be transmitted in order to protect its wide-ranging monopoly in the country.

Herr Schwarz-Schilling wrote to Mr Baldrige on August 7, offering talks last week in Germany. This meeting would have included a number of other agencies, including the German economics and research and technology ministries, plus U.S. Trade and Commerce Department officials and representatives from U.S. industry.

The talks did not take place, mainly because Washington felt it did not have enough time to prepare for them. Bonn is likely to want to include trade in computers in the discussions, should they take place.

Herr Schwarz-Schilling rejected claims during his visit to the U.S. that West German companies sold equipment worth $140m in the U.S. last year while American competitors managed to sell only $9m worth in Germany.

One difficulty the U.S. faces, should it feel obliged eventually to take action on telecommunications, is that the sector is not covered by the General Agreement on Tariffs and Trade (Gatt) and does not fall under the jurisdiction of the European Commission in Brussels – forcing any actions to be bilateral and hence very sensitive.

Japan set to end curbs on oil product imports

BY JUREK MARTIN IN TOKYO

JAPAN yesterday indicated that it intends to abandon is long-standing ban on petrol imports.

It is also proposing to cut the country's general refining capacity by between 700,000 and 1m barrels of oil per day, 15 per cent to 20 per cent below the current 5m b/d level. Government officials insisted that this proposal was not related to the petrol imports move.

The recommendations, which are expected to be challenged by the domestic oil industry, came from the special sub-committee of the Petroleum Council, a nominally independent advisory body which generally reflects the views of the Ministry of International Trade and Industry (Miti).

Miti officials denied that the moves were in response to the European Community's demand that Japan commit itself to buying a reasonable percentage of the new refined oil products coming on stream from the Gulf producing nations, principally Saudi Arabia.

Neither the committee's report nor Miti experts suggested how much petrol Japan might import, when foreign purchases would begin or, other than in general terms, who would serve as the importing agents.

The officials said that the rules governing who could import petrol had yet to be drawn up. They hinted, however, that those companies with existing refining capacity would be preferred. They doubted that the major trading companies or independent petrol retailers would qualify.

Although Japan buys more crude oil than any other nation, the import of petroleum was banned as part of the national policy to encourage as much domestic refining as was feasible.

Miti has been aggressively promoting, mostly through mergers, the rationalisation of the domestic oil industry, which in the first half of this year incurred a cumulative loss of Y140bn ($580m) on sales of Y20 trillion (million million).

But officials conceded yesterday that the scrapping of refining capacity, an integral part of the rationalisation process, had lagged well behind that of other nations.

At the end of last year Japan had 47 refineries, many small and old, with a capacity of just under 5m barrels a day, which were operating at 65.4 per cent of capacity.

Miti insisted that the proposed 15 per cent to 20 per cent cut in refining capacity bore no relation to the likely level of petroleum imports. It pointed out that selling petrol was a notoriously unprofitable business in Japan.

Japan's energy policy does allow the import of certain refined products – naphtha, fuel oil, and liquefied petroleum gas, for which, collectively, it is the world's third largest importer after the U.S. and West Germany.

World Bank to set up agency

BY PAUL BETTS IN PARIS

THE WORLD BANK is going ahead with a scheme to set up a new agency to promote foreign investments in developing countries by providing coverage for political risks. The move comes at a time when the volume of foreign investment in developing countries has declined sharply.

The proposal to create a Multilateral Investment Guarantee Agency (Miga) with an authorised capital of $1.082bn was approved by the board of the World Bank yesterday. It will be formally launched by the governors of the bank at their meeting in Seoul in South Korea next month.

The new agency will issue long-term guarantees against four categories of non-commercial risks for new foreign investments in developing countries, according to Mr Ibrahim Shihata, vice-president and general counsel of the World Bank. These include:

- The transfer risk of loss caused by legislative or administrative actions or omissions of the host government which deprive the foreign investor of his ownership or control or substantial benefits from his investment.
- The repudiation of government contracts in cases where the investor has no access to a competent forum, faces unreasonable delays in a court of law or is unable to enforce a legal decision issued in his favour.
- The risk of armed conflict and civil unrest.

To be eligible for Miga coverage, investments must be new and of a medium or long-term nature. Mr Shihata also said they would have to be judged by Miga as sound and contributing to the development of a country.

Miga will also attempt to promote new investments by providing information on opportunities for foreign investors, carrying out research and offering policy advice and technical assistance to governments.

Membership of the new agency will be open to all members of the World Bank and to Switzerland. Mr Shihata said that the convention establishing Miga will come into force when it is ratified by five capital exporting countries and 15 capital importing countries as soon as the total subscriptions of these countries amount to at least one third of Miga's authorised capital of $1.082bn.

Both groups of countries will receive equal voting powers when all members of the World Bank become members of Miga, Mr Shihata added.

The amount of guarantees which Miga will be able to issue initially will not exceed 1.5 times the amount of the subscribed capital plus reserves, but once Miga accumulates a balance risk portfolio and gains experience the ratio could be increased up to five times assets.

One innovation in the scheme is the fact that nationals of a host country can also apply for coverage if they bring assets from abroad for their domestic investments. This is designed to help developing countries in their efforts to halt capital flights.

Hewlett-Packard cuts salaries in UK

BY JASON CRISP IN LONDON

HEWLETT-PACKARD, the U.S. computers and electronics group with revenues of over $6bn a year, has cut the salaries of all its 3,500 UK employees by 5 per cent, for a minimum of four months.

The move is part of a worldwide cost-cutting programme following a significant drop in revenue growth and a fall in profits in the third quarter, for which H-P blamed a sharp fall in orders in Europe and other markets outside the U.S.

In addition to the pay cuts the British employees are feeling the squeeze in other areas. The company has stopped providing free biscuits with the free fresh ground coffee, a benefit enjoyed by all. Canteen subsidies have also been reduced, which together with the crackdown on biscuits will save £250,000 ($325,000).

The cut in UK salaries follows a similar reduction for most employees in the U.S. in July. H-P is also to make cuts in other countries including France, West Germany and at its European headquarters in Geneva.

H-P does not recognise any trade unions. But it is particularly proud of its communications and the fact that it has not made any redundancies. Coffee-break meetings are part of H-P's way of encouraging communications.

In July the most senior 50 executives in the British subsidiary took a 5 per cent cut in pay without any change in schedules.

Unless there is a significant improvement in orders the pay cut is likely to last for longer than four months. If the situation worsens H-P would probably seek a further 5 per cent cut rather than lay people off.

The company is to close its two main manufacturing plants at Bristol and South Queensferry, near Edinburgh, for one day a month. Most other employees in other parts of the company will also have to take one day a month unpaid leave – equivalent of approximately 5 per cent of salary.

Toyota to boost part imports

By Jurek Martin in Tokyo

TOYOTA, Japan's biggest car company, plans by next year to be importing nearly 50 per cent more parts, equipment and other items than it did in 1984.

In outlining its contribution to the government-inspired import action programme, Toyota said yesterday that it intended to increase foreign purchases from Y47bn (about $190m) last year to Y60bn this year and to Y70bn in 1986.

For the Toyota group as a whole, which numbers 13 companies including an active general trading concern, imports are projected to reach Y195bn this year and Y210bn next year against Y173bn in 1984.

The bulk of the two-yearly increase is to be taken up by larger purchases of run-of-the-mill car parts and equipment. But, rather like Nissan, which recently announced the purchase of a Cray supercomputer from the U.S., Toyota does have some special items on its order books.

These include a new corporate helicopter (manufacturer as yet undecided) to be bought this year, a large foreign computer and medical equipment for the Toyota hospital, both on the 1986 schedule.

Additionally, Toyota will this year import a small 10-car sample of the convertible version of the Celica model which it is manufacturing jointly with General Motors in Fremont, California. From next year, it will start shipping some parts to the Fremont plant in U.S. carriers.

In all, the Ministry of International Trade and Industry has asked Japanese industry to import an additional $5bn worth of materials to help ease trade friction. The 60 leading companies are due to report their concrete foreign purchasing plans to Miti by Tuesday next week.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	24	75	Malaga	—	—	—	Salzburg	S	22	72
Algarve	F	28	82	Faro	F	26	79	Malta	C	23	73	Seoul	F	26	79
Algiers	—	—	—	Florence	S	28	82	Manila	C	29	84	Singapore	F	30	86
Amsterdam	S	23	73	Frankfurt	S	21	70	Miami	F	25	77	Stockholm	F	14	57
Athens	S	27	81	Funchal	F	25	77	Milan	S	26	79	Strasbourg	S	21	70
Bahrain	F	38	100	Geneva	S	21	70	Moscow	C	11	52	Sydney	C	19	66
Bangkok	C	32	90	Gibraltar	S	27	81	Munich	S	19	66	Taipei	C	34	93
Barcelona	—	—	—	Guernsey	S	21	70	Nairobi	F	28	82	Tangier	—	—	—
Beirut	F	28	82	Helsinki	F	14	57	Naples	S	29	84	Tehran	—	—	—
Belgrade	S	22	72	H. Kong	F	30	86	New Delhi	S	37	99	Tel Aviv	F	28	82
Berlin	S	17	63	Innsbruck	S	21	70	New York	S	13	55	Tenerife	S	27	81
Biarritz	S	31	88	Inverness	C	17	63	Nice	S	24	75	Tokyo	F	26	79
Blackpool	S	22	72	Istanbul	F	22	72	Oporto	S	24	75	Toronto	F	9	48
Bordeaux	S	28	82	Jersey	S	21	70	Oslo	C	13	55	Tunis	—	—	—
Brussels	S	26	79	Jo'burg	S	15	59	Paris	S	26	79	Valencia	S	28	82
Budapest	S	20	68	Las Palmas	S	26	79	Prague	S	16	61	Venice	S	23	73
B. Aires	R	19	66	Lima	C	18	64	Reykjavik	F	11	52	Vienna	F	19	66
Cairo	C	34	93	Lisbon	C	23	73	Rio de J'o	F	27	81	Warsaw	F	16	61
Cape Town	F	15	59	Locarno	C	23	73	Rome	S	25	77	Zurich	S	22	72
Caracas	C	28	82	London	S	24	75								
Casablanca	—	—	—	Los Angeles	S	15	59								
Copenhagen	F	19	66	Luxembourg	S	21	70								
Corfu	S	27	81	Madrid	F	35	95								
Dublin	R	15	59	Majorca	—	—	—								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Britain expels Soviets

Continued from Page 1

Since he came to power, Mr Gorbachev has gone out of his way to encourage detente between the Soviet Union and West European countries, and has emphasised that he would like more friendly relations with the U.S.

Such considerations may mitigate the extent of any reduction in the number of British residents expelled from Moscow, but the Soviet Foreign Ministry will almost inevitably pursue its usual policy of retaliatory explusions.

Diplomats in Moscow said last night that they could not see how this would effect the long-term development of Anglo-Soviet relations. The expulsion of diplomats from London and Moscow in April produced only a minor hiccup in relations, and British companies have continued negotiations for two large contracts, each worth over $1bn, for a synthetic fibre and petrochemicals plant.

The Soviet spy case was discussed at yesterday's meeting of the British Cabinet. Ministers were told that the defection of the KGB official was on ideological grounds and that he had said he wanted to live in a free society.

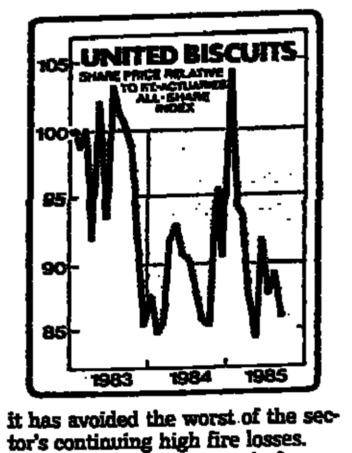
THE LEX COLUMN

That's the way it crumbles

Having turned to shareholders for reinforcement in the war of the soft cookie, United Biscuits is still a long way from victory or even an armistice. Yesterday's results, showing pre-tax profits for the 28 weeks to mid-July up 5 per cent at £36.3m, also revealed a 16 per cent fall in the trading contribution from North America.

Indeed, there is a danger that as the market for soft cookies declines with their loss of novelty value, UB's Keebler and Nabisco et al could be locked in to selling on low margins by the weight of unused new capacity – or this capacity may be diverted and swamp the profitable areas of the cookie market. UB is closing its Philadelphia factory, which could improve capacity use by a third, and can at least take comfort that it is holding its soft cookie market share (at 32 per cent) for a lower promotional outlay than its competitors. But it is not making any money either.

Ironically, the handsome increase in UB's market share in biscuits in the UK is almost certainly partly at the expense of Nabisco, through Huntley & Palmer; but well-managed home businesses are no novelty for UB – even if the botched venture into frozen food distribution is only just now breaking even. Only a reasonable margin on the best part of a billion dollars in U.S. turnover will transform UB's profitability and stock market rating; but that magic moment seems no nearer than a price of 191p, up 10p, and a multiple of nine times 1985 earnings would suggest.



Prudential

The interim results from the Prudential Corporation can be summed up as an improvement from the disastrous to the bad. Nevertheless, they came as a welcome surprise to a market which was already shell shocked by last week's poor UK general insurance results from Sun Alliance and Guardian Royal Exchange and was fearing something fairly nasty from the Pru.

However, the Pru appears to have learnt some lessons on general insurance the hard way and is now prepared to take the necessary corrective action, at least partially, on rate increases. This enabled it to cut losses on its motor account, despite higher nembers of claims, and on its commercial business, where it has avoided the worst of the sector's continuing high fire losses.

In addition, last winter's freeze-up had less impact in adverse weather claims than 1984's widespread storms – perhaps there is something in the law of averages after all. But the major achievement was to reduce substantially the losses of its reinsurance subsidiary Mercantile and General, where after so many false dawns, the light of recovery took the market by surprise.

On a prospective yield of about 5½ per cent, the Pru may soon find itself bumping yet again into the ceiling – which seems to be located firmly in the 700p region.

Jaguar

Jaguar's conspicuous devotion to currency hedging has yet to see off its old reputation as a souped-up vehicle in which to ride the dollar; the shares have been enjoying a good run while the dollar revives, and not even the news that Jaguar had sold most of its dollar income forward as far as 1987 could stop them moving up 8p to 299p on yesterday's figures.

The results themselves are not only very creditable – nobody can reasonably complain at an operating profit of £56.6m, nearly a quarter higher than the preceding half year – but they vindicate the hedging policy. Forward selling that could have been thought almost too cautious when sterling was close to parity with the dollar is now beginning to look quite canny; Jaguar's hedging rate for the first six months of 1985 was probably below the actual average, and the margin has only improved since.

Afraid that it might be unable to meet an over-demanding specification from the City, Jaguar was at pains to down-play its second half, when fewer cars are indeed produced. Though it is apparently asking quite a lot of Jaguar to make £70m pre-tax in this six-month period, cash generated so far will produce higher interest receipts, and the sales trend remains strong. Jaguar may have something up its sleeve, moreover, assuming that there is no repeat of the V12 recall.

Sedgwick

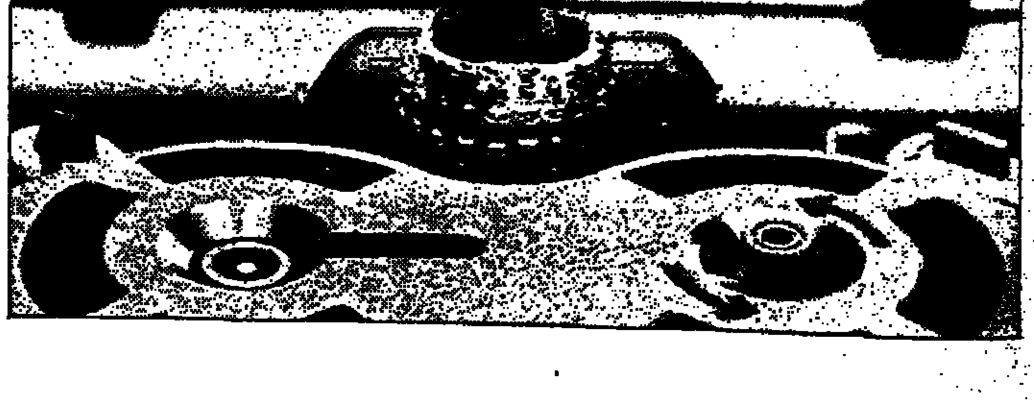
WITH some advance information about the newly-consolidated Fred S. James agencies already in the market, the doubts about Sedgwick's first half were directed squarely at the London and – the more so, given the relatively good performance of James. As it proved, stagnant pre-tax profits in London did the share price no good at all. On a stated pre-tax two-fifths higher at £79.2m, the shares dropped 23p to 370p.

The market could perhaps have ridden out a £4.6m loss from the River Thames insurance company, and the predictable costs of financing new office buildings. It was harder to forgive a stodgy performance in broking; Sedgwick's own brokerage increased by 18 per cent – compared with the already less-than-thrilling 26 per cent put up by Willis Faber.

Though some of the shortfall may be explained by Sedgwick's hedging policy – so that it missed out on the currency bonus enjoyed by Willis – there are also suspicions that Sedgwick has simply been losing market share. And although the adverse influences may unwind in the second half, worries over bad debts and the PCW affair remain.

Stock Conversion

The point of putting up a special resolution which is known to be unwinnable is not easy to see. Stock Conversion cannot have expected Stockley to nod through an increase in its authorised capital or in the discretionary issuing powers of the present board; together they would give Stock Conversion a licence to dilute Stockley's holding Unless the resolution is a none-too-subtle hint that Stockley remains an unwelcome shareholder (and unsought suitor, should it decide to bid) there is no sense to be made of it. And that message could in any case have been telegraphed without a special resolution.



SECTION III

FINANCIAL TIMES SURVEY

SECURITY INDUSTRY

Worldwide demand is growing for greater protection of people, premises, cash and electronic information as the incidence of theft and violence increases

A more dangerous world

BRITAIN'S SECURITY companies have created a £1bn business out of the task of defeating the ever-inventive burglar, counterfeiter and terrorist.

Over the past decade the "conventional" crimes of theft and burglary have risen sharply while the threat of terrorist action or political protest is now also taken seriously by many commercial organisations and government departments.

Police manpower has increased by 12,000 to 119,000 over 10 years but the skills of the private sector appear more essential than ever. Police readiness to acknowledge that crmes, such as burglary, are starting to swamp their resources suggest the industry is set for further expansion.

As the industry has grown it has had to adjust to rapid technological change. The microprocessor and the computer have revolutionised the intruder alarm business. New methods of detecting a break-in or a fire, and of signalling a warning to the emergency services or the alarm company's staff, call for heavy investment and for choices to be made about which technology to follow.

In addition, the established companies are under constant commercial pressure from newcomers attracted to what they perceive to be a lucrative sector.

Companies providing uniformed guards have long been used to this challenge. Cheap electronics have now lowered the threshold for entry to the alarms sector too.

The security industry — usually defined as those companies engaged in protecting assets and individuals from theft or violence — will probably achieve turnover of more than £600m in 1985, if recent growth levels are maintained.

The British Security Industry Association (BSIA), the self-regulatory body, estimated that the turnover of its members rose 14 per cent in 1984 to £570m. However, BSIA figures include the general parcels business of companies like Securicor and not just their security-related turnover.

Latest figures from Jordans, the business information group, calculated that the security business of companies in the industry in 1983 was £497m, an increase of 19 per cent on the year before.

But this survey takes a broader look at the industry and includes the security printing sector, making anything from banknotes to airline tickets, lottery tickets to Eurobond certificates. It also looks at the expanding field of consultancy and newly-developed areas such as computer security.

These activities push the total size of the security business nearer the £1bn mark.

Offences in England and Wales relating to burglary, theft and robbery known to the police resumed their upward trend in 1984. They rose 7.5 per cent to 2.73m last year after dipping 2 per cent (the first fall for many years) in 1983. In the first quarter of this year they rose a further 2.6 per cent to 675,000.

Losses reported to insurance companies also continued to rise in 1984, by 16 per cent to £320m, according to British Insurance Association figures. Claims more than trebled in the five years up to 1984.

While the industry as a whole has grown, some sectors have fared better than others.

● Intruder alarms have been the glamour sector. Companies such as Automated Security (Holdings) and Security Centres Holdings have grown rapidly.

Many companies involved in other fields have attempted to diversify into alarms only to withdraw after a few years. Building a viable customer base and maintaining an efficient service network are more difficult than they look, say those already in the business.

● Locks and safes are the traditional heart of the industry. Lock technology has changed little in the past two centuries although safes have became increasingly complex in design to defeat modern cutting methods.

The move away from cash and the economic recession have hit the safemakers particularly hard. John Tann, the oldest British safe-maker and part of Walter Runciman, the shipping group, has been through a painful reorganisation. But swimming against the tide, Rosengrens, the Swedish safe-maker, recently opened its first UK factory, in Telford.

● Manned guarding and cash-in-transit. Securicor, the largest company in this area, describes these parts of its business as mature.

"That is a polite way of saying they are non-growth," said Mr Peter Towle, chief executive. "Competition has increased ten-fold in recent years. We have not compromised on standards and have accepted a loss of market share."

Securicor has compensated for this stagnation of traditional business by diversifying into parcels-carrying and cellular radio.

The proliferation of small guarding companies paying low wages and offering a poor level of service is the main problem, according to the established groups. It was concern about standards in this sector of the business which led to the formation of the BSIA in 1967.

The industry is anxious to retain its powers of self-regulation in spite of their limitations. A weakness of the present system is that while BSIA member companies account for 90 per cent of the industry by volume, they represent only about 10 per cent of the active companies.

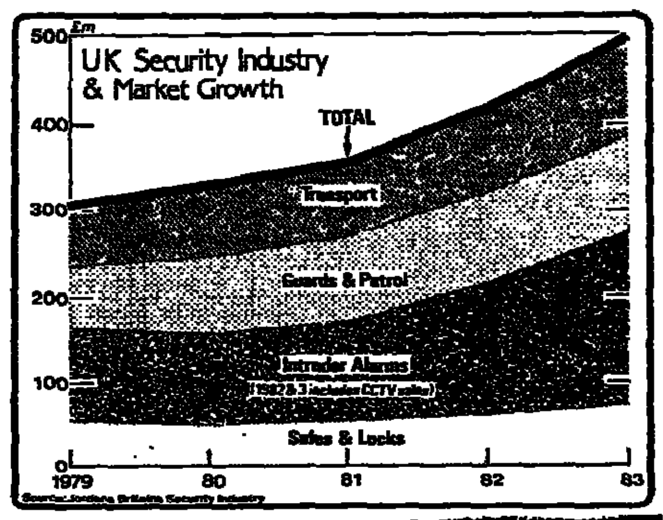
● Security printing. The banknote printers have been forced to cut capacity in recent years but now appear to be recovering from the worst of the downturn. Cheque printing remains fiercely competitive.

Both markets seem likely to decline in the longer term as third-world governments establish their own banknote printing presses and cheques slowly make way for the credit card and, in the more distant future, electronic funds transfer.

Diversify

Last year's successful £170m takeover bid from Racal, the defence and communications electronics group, for Chubb & Son, the largest company in the industry, provided a stark warning of the price of failure to adapt to changing markets.

Chubb's performance had been dull for several years and the company had never recovered from a costly attempt to diversify into cash registers in the late 1970s. Racal believes it can combine Chubb's security expertise with its own strengths in communications and its access to defence markets.



Competitors say they cannot see evidence of a more aggressive Chubb from the 11-month-old merger. Racal Chubb replies that it is working at it.

"There is a lot of cross-fertilisation going on," said Mr Chris Hutton-Penman, marketing director of Racal Chubb Security Systems. "We can see now where we have the joint cabability to attack new market-places. We now have all the expertise and research capability in-house to respond to problems."

It was a desire to concentrate on high-technology products and services which prompted De La Rue to sell Security Express, its loss-making cash-in-transit division, earlier this year. Security Express was set up in 1960 to extend the range of services De La Rue offered to the banks but this aspect of its operations had declined steeply.

Security Express has been bought by Mayne Nickless, the Australian transport and security group which has also been expanding in the U.S. through acquisitions.

The Security Express sale highlights the international nature of the security business. Securicor, Chubb and Group 4, the diversified security group, have extensive overseas business while the security printers are also strongly export-oriented.

Wormald International, another Australian group, has controlled Mather & Platt, the British fire protection group, since 1976 while Honeywell, the U.S. computer and control instruments company bought Shield Protection in 1982 as the basis for a UK security business. ADT, a large U.S. supplier of alarm equipment, is well established in the UK market.

The international scope of the industry seems set to grow. Overseas markets offer better prospects for the companies engaged in cash-in-transit and guarding.

The U.S. is rich in high technology companies, which are being bought for their specialist skills. Even a highly-developed market such as the UK may attract more overseas entrants.

Demand worldwide for security shows no sign of easing. Securicor experienced a record number of attacks on its cash-carrying vehicles last year.

"Virtually all the attackers are now armed," said Mr Towle. "The world is a more dangerous place."

Takeovers set bells ringing

Electronic Alarms

CHARLES BATCHELOR

INTRUDER ALARMS have been the fastest-growing and most controversial part of the security industry in recent years.

Alarm companies nearly doubled turnover to a combined £208m in the five years to 1983. Yet in spite of the growing sophistication of electronic alarm devices the industry remains dogged by a high false-alarm rate.

Police are becoming more reluctant to respond to alarm calls when 99 per cent turn out to be false according to police statistics.

Intruder alarms, or burglar alarms as they were originally known, have been around since the first widespread use of electricity in the second half of the 19th century. But the application of electronics has fostered the growth of a new generation of alarm companies over the past decade.

Companies such as Chubb and Automated Security Holdings have devoted themselves exclusively to the security business, but many in other areas have diversified (with mixed success) into the intruder alarm field. RMC (formerly Ready Mixed Concrete) bought Lander Alarms in 1979 and has expanded the business. Rentokil and Doulton Glass Industries, have moved into the field and out again.

Consolidate

The stream of new entrants has put a continuous pressure on profit margins and made it difficult for a company to reach a size where reasonable profits can be made.

Mergers are also changing the face of the industry. Racal, the defence and telecommunications group, acquired Chubb, the UK's largest and most widely diversified security company, last October.

Automated Security has made an agreed £23m bid for Security Centres Holdings, another alarm group, in a move which will consolidate Automated's position with the largest number of installed systems. Security Centres will add 18,000 systems to Automated's 85,000.

"The intruder alarm market is in the same fragmented situation now as the fire alarm industry used to be," said Mr Alan Prior, marketing director of Chubb Alarms. "I foresee a consolidation over the next five years."

Apart from the publicised mergers, larger companies are gobbling up their smaller rivals at a rapid rate. Honeywell, the U.S. group, has continued to buy small alarm companies following its entry into the UK market with the purchase of Shield Protection three years ago. Modern Alarms, Automated's alarm division, bought 12 small installers in 1984.

Many of the large installers make equipment. They also buy from abroad or from specialised UK alarm equipment makers such as A & G Security Electronics and Tunstall Telecom Group. Tunstall took over Munford & White, another manufacturer, last December.

The business of manufacturing and installation of intruder alarms increased by 31 per cent between 1982 and 1983, from £158m to £207.5m, according to Jordans, the business information company. The 1983 figure represented an increase of 95 per cent over the £106m turnover in 1979.

An estimated 1.4m alarm systems are installed in the UK. They range from small ones for domestic use costing between £500 and £1,000, up to integrated systems used in industrial and commercial premises and costing from £100,000 to £1m.

About 400,000 systems have been installed by companies approved by the National Supervisory Council for Intruder Alarms (NSCIA), an inspection body affiliated to the British Security Industry Association (BSIA).

The association was set up in 1967 to improve standards through self-regulation. It has 83 members, including most of the larger companies.

The other 1m systems have been put in by local alarm and electrical companies or by householders using DIY kits costing as little as £25.

Modern Alarms estimated that about 150,000 systems were installed by some 3,000 non-NSCIA installers last year compared with 46,000 by the 190 approved companies. The value of the approved systems is higher, however, than that of the more numerous non-approved systems.

Market penetration, particularly in the domestic sector, is still low, in spite of publicity given to the problem of burglaries. Fewer than 1m of the 22m private dwellings in the UK have alarms installed, while only 22 per cent of the 2m commercial and industrial premises are covered.

Pressure to install alarms and other security devices usually comes from the insurance companies. The advantage of properly managed systems is obvious in high-risk business sectors, but the insurers appear less convinced of their use for the average householder. Insurers and police urge that locks and bolts can be more effective than an alarm system which is not properly used.

Police complaints about the number of false alarms have prompted the BSIA to look closely at this problem. In 1983 it urged each member to appoint an executive responsible for reducing the number of false calls.

This has cut the average number of false calls per alarm installation from 2.26 in 1982-83 to 1.75 in 1984. But as the number of installations rises so does the absolute number of false calls.

Some police forces refuse to respond to alarms which regularly malfunction, while others are considering charging occupiers fee to be taken off the police "blacklist."

Mr John Wheeler, an MP and director-general of the BSIA, acknowledges police complaints but says: "The police service would be in difficulties without alarm devices. They catch a lot of burglars as a result of alarms."

Mr Prior, of Racal Chubb, says his company's alarms led to the arrest of 830 intruders last year.

Advancing technology could cut out many false alarms if the customer were prepared to pay for it, the alarm companies say. More sophisticated sensors, and the monitoring of remote sites by closed circuit television and audio systems provide more information on emergencies.

Traditionally a break-in or fire would trigger an alarm bell on the outside of the premises or a pre-recorded call to the 999 number. This would be passed by the operator to the police or fire service.

One in three installations by NSCIA members are still bell-only (mainly on domestic premises). Police reluctance to respond to false alarms has led to a sharp drop in the number of 999 systems. They now account for only one in five installations.

Real growth has come in systems which transmit a message down a leased telephone line to a central station manned around the clock by the alarm company's staff. These systems can be programmed to try more than one telephone number, to make several attempts to dial if a line is busy and to send a variety of messages describing the emergency.

They allow the alarm company's staff to filter emergency calls and eliminate equipment or customer errors before they are passed on to the police.

Communications costs, usually a large part of the outlay on systems connected to a central station, are being reduced by the use of shared lines. British Telecom is introducing its Red Care service, which uses a normal telephone line, avoiding the need for expensive leased circuits.

Profitable

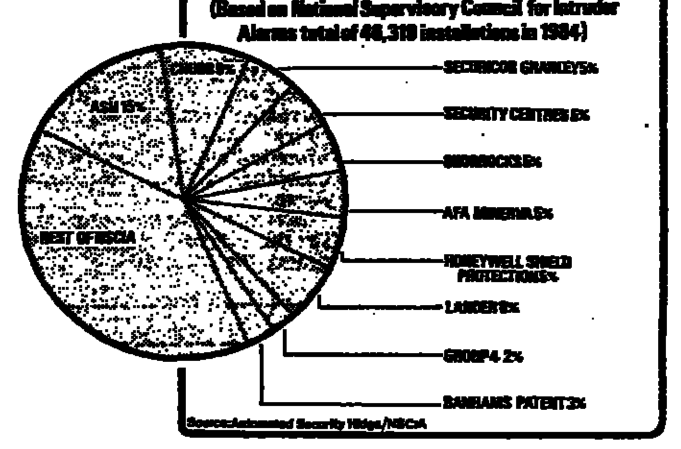
Some companies are also looking at wire-less systems. Legal restraints on radio transmissions mean central stations are unable to send regular test transmissions to check if alarms are working, so the level of security would be less than for hard wire systems. The industry hopes, however, for a change in the legislation soon.

The alarm equipment companies also see an expanding and profitable market for self-contained security systems in large office blocks, industrial plant and shopping centres. These large systems have central stations manned by the users' staff.

"It is anachronistic to talk of alarm systems," said Mr Brian Dix, managing director of Thorn EMI Protech. "They are integrated communications systems which can detect intruders and fire, control access, conserve heat and energy and monitor equipment such as freezers.

"People don't like paying for security. We must show them there can be a cost benefit in other areas."

Estimated Market Shares
(Based on National Supervisory Council for Intruder Alarms total of 46,310 installations in 1984)



Source: Automated Security Hldgs/NSCIA

Jealous rearguard by the elite

Printing

CHARLES BATCHELOR

THE SECURITY printing industry is entering a period of unprecedented change as the two traditional means of payment, the banknote and the cheque, face the challenge of the credit card and electronic transfer of funds.

Big companies in this field have responded by moving into new areas of technology. They have added the skills of the software house and of holography (the production of three-dimensional images on a flat surface) to their knowledge of the old crafts of engraving and intaglio (steel plate) printing.

The cashless, and now the chequeless, society have long been forecast. They remain obstinately over the horizon, however, and few expect anything but a very slow decline.

The changes under way are nevertheless putting increasing pressure on the industry and the fight for market share is tough. Banknote printing is largely an export business, since the Bank of England prints all English notes. But many third-world governments remain chronically short of funds. At home a dozen companies compete in cheque printing and some are showing the bruises of the struggle.

A bright spot is the specialised area of bond printing. The buoyancy of the Eurobond and other international financial markets has created strong demand for the secure bearer document.

At the other end of the spectrum are products as varied as lottery and FA Cup Final tickets, record tokens and gift vouchers, which all need protection from the counterfeiter.

Banknote printers jealously guard their position as the élite of the industry. The printing requires skills and levels of security unmatched in any other field. The craft of the engraver can take 15 years or more to learn and the creation of a new banknote design requires many months' painstaking labour.

In spite of its 125-year-old pedigree, intaglio printing remains the basis of banknote security. Intaglio deposits a raised pattern of ink on the paper and gives a banknote its embossed feel.

The equally traditional watermark process remains in use alongside more modern methods such as fluorescent inks, latent images (which emerge when light strikes the paper from a certain direction) and computer-created backgrounds of great complexity. Techniques are used to prevent a counterfeiter separating ink colours and to foil colour-copying machines.

The aim is to produce a banknote of such complexity that any attempt to counterfeit becomes immediately obvious, not just to the expert but also to the user.

Two companies dominate the world market for banknotes. Largest is De La Rue, a £337m-turnover group with a listing on the London Stock Exchange. De La Rue supplies banknotes to more than 75 central banks and issuing authorities around the world.

In 1858, two years before the first notes came off the presses of De La Rue, Bradbury Wilkinson printed its first banknote for El Banco Commercial in Montevideo. Henry Bradbury, joint founder of the company, introduced the intaglio process into Britain from the Continent.

Bradbury Wilkinson has been part of the International Banknote Group, a U.S. company, since the 1920s. International Banknote's U.S. and UK operations have retrenched in recent years because of tough market conditions.

British American Banknote, a Canadian company, has been carving out a niche in the UK bond-printing business for four years. British American was taken over last October by Bell Canada.

Financial restraints on many third world countries force them to extend the life of banknotes, cutting into the banknote printers' business.

"This was the main driving force behind our rapid diversification," said Mr Ian Robson, a director of Bradbury Wilkinson's cheque-printing division.

Cheques

Ironically, when third world governments achieve economic stability they often set up their own printing plants. This means consultancy fees and equipment orders for the banknote printers (who make a lot of their own specialist equipment) but long-term printing business is lost.

In spite of the financial problems facing many customers, De La Rue's currency division recovered strongly in 1984-85 from a difficult year. A number of customers required what the company called "unusual and unpredictable volumes of banknotes within a short period." One African customer replaced its currency overnight.

High security features, some from the banknote sector, are included in travellers' cheques, Eurocheques and bearer securities such as Eurobonds, bearer bonds and certificates of deposit.

Compared with banknotes, cheques have relatively few security features since they are not bearer documents with an intrinsic value. It is the plastic cards which guarantee the cheques which have absorbed much of the new technology.

The comparative simplicity of cheque printing has attracted many companies into this sector. The largest is McCorquodale, which has a broad range of other printing and packaging activities. Others include Bemrose Corporation, Metal Box, Norton Opax and BPCC, as well as the banknote printers. BPCC and Metal Box have found the going tough of late however.

The cheque printers were shaken when the banks stopped holding stocks of blank cheque books and began ordering them on a daily basis from printers. The banks now send magnetic tapes containing details of the cheque books they need and leave it to the printers to personalise the blanks with the account holders' name and number.

De La Rue took a hard look at its cheque-printing business two years ago, said Mr Roger Coombs, managing director of this division.

"We asked ourselves if cheques were a dying business. We could not see a slow-down until the mid-1990s so we replaced our old printers with new technology. We used to be an also-ran number nine in cheques. Now we are number two."

The hologram is the most controversial piece of new technology. Bradbury Wilkinson was joint developer of the present generation of cheque guarantee cards, which incorporates a hologram along with other security features.

It sees a great future for the hologram, not only on cheque and credit cards but also, when used on packaging, as a means of preventing the counterfeiting of a wide range of products from whisky to cameras, watches to cassettes.

De La Rue remains unconvinced about the security value of holograms. In spite of this difference of opinion, both companies see opportunities in electronic fund transfer.

Electronic fund transfer at point of sale (EFTPOS) allows the shopper to authorise his local supermarket to make an immediate deduction from his bank account for goods. If EFTPOS gets off the ground, a sophisticated card is likely to be needed to establish the shopper's identity and validate the transfer.

For all their self-proclaimed conservatism and loyalty to long-established crafts, the security printers are prepared to learn new skills. But as the technology changes they face competition from new and formidable rivals in the field of information technology. The real test may be still to come.

Sophisticated competition in a mature market

Patrolling

ALASTAIR GUILD

THE NUMBER of operators in the uniformed security guard business has mushroomed in recent years. Large companies such as Securicor are facing increasingly stiff competition from smaller companies for a share of what is a mature market.

A major reason why the market has not increased as it might have done is the development of more sophisticated electronic surveillance.

"Greater attention is being paid to the use of long-range, remotely-controlled television surveillance systems," says Mr Ron Sutcliffe, managing director of Arrow Surveillance Services and a former counter-intelligence and security officer with the Ministry of Defence.

"Most methods tried to protect high-risk areas from theft or vandalism have been found to be wanting or, in a number of cases, highly expensive. Night security staff, for example, in addition to being very costly, can also present the problem of collusion with criminal elements, plus general human problems such as sickness, lateness and the need for careful supervision."

A typical surveillance system consists of television cameras which observe the inside and outside of an area and then transmit the pictures via telephone lines, cable, radio or satellite to a manned security control station.

For certain situations, however, electronic surveillance does not provide the complete answer. It could cost as much as £20,000 to electronically survey a building site. The service supplied by the Site Guard Group for its clients, 90 per cent of them in the construction industry, is based on the uniformed, patrolling guard. Electronic backup is provided free.

"Texas DIY is spending £1m in six weeks on guarding a new centre. Electronics cannot protect a three-acre site with subcontractors working 24 hours a day. Static guards are essential.

"Slow-scan TV requires a perfectly lit site. An intelligent burglar could put it out of action by cutting the telephone lines, taking the pictures back to the central control room, or by smashing or covering the lenses," it says.

The company's philosophy for minimum start-up security for refurbishment and new-build projects is installation of an advanced site alarm system for store and office areas plus liberal supply and fixing of large warning signs to perimeters.

"But without the right back-up and support, the on-site system is useless," it says.

Radio and telephone contact is made with the on-site guards every hour and they have to contact central control the same way. If there is any breakdown in this system, a mobile patrol or the local police investigate.

All the electronic systems have a battery override in case of electrical failure. An executive or administrator can be on site within an hour and a guard can be placed on site if extra support is needed.

The continuing move away from cash-based payment systems is another factor which the uniformed security guard sector is having to take into account.

According to Jordan's Guide to the British Security Industry, there are several ways in which the industry could compensate.

"The total number of alarm signals requiring response will continue to increase. A growing number of these could be dealt with by the security industry without the intervention in the first instance of the police," the guide says.

"There are signs already that such a development could be with us, perhaps not widespread in the next year or two, but certainly within a decade, assuming police strengths are not fundamentally revised."

The security industry is also awaiting with interest the development of the privatised sector, the guide says. Royal Ordnance, now a private organisation with 11 factories in the UK, recently gave the industry a boost with the announcement of an £8m security improvement programme prompted by complaints of inadequate security by police.

Securicor, however, is working on the assumption that cash will be around for some time. It has 67 "vaulting centres" around the country which take money from shops and offices. It counts the money, advises the customer's bank of the value and produces corporate statements, giving a breakdown by site and each credit handled.

A Securicor guard in Thailand.

The money is still the property of the bank, which instructs Securicor of how to dispose of it—for example, in the form of wage packets. Securicor makes up more than 40m wage packets each year.

"The whole object is to try to minimise the across-the-pavement risks," says Ms Ann Perkins, Securicor's assistant general manager for banking support services.

"We will still need to draw money from banks, but more from their bullion centres, rather than local branches. These arrangements generally result in better cash management by the banks, which benefit those customers who need to dispose of or obtain cash, often on a nationwide basis."

A service devised by Heavylift Cargo Airlines also aims to eliminate the risks from loading and unloading cash or bullion movements. Security vehicles, loaded under secure conditions, can be driven straight on board the ramp-loading Belfast freighter aircraft to be flown to the airport nearest to the ultimate distination.

The Belfasts, originally conceived for the movement of heavy military equipment, have a maximum payload of 36 tonnes and so can accommodate most and so can accommodate security vans and trucks.

Foot in door for card carriers

Entry systems

ENTRY SYSTEMS are employing increasingly sophisticated technology. People, when guarding high security areas in particular are often felt too vulnerable to violence or corruption.

Magnetically coded access cards have for some years been popular ways of controlling access. Some companies marketing such cards are looking at ways of including other features, such as signature verification. A reader would compare the signature given on a pad at the entrance with two sample signatures used to sign on to the system.

"It is an excellent idea, but we need to make sure it is workable," says Ms Lesley Bell, marketing manager of Cardkey Systems. "The pads in use at present would deny entry to someone whose signature was affected by ill health, for example."

For the past year Cardkey has been supplying an entry system using both tags and coded cards. This has been made possible largely by the development of compatible card and tag readers.

The tag sends out a signal picked up by an aerial, possibly built into a wall near the entrance. This reads the information on the tag and releases an electric switch if it recognises the code. Cardkey is one of two companies interested in a contract to supply a tag-based system to the Stock Exchange.

However, there have been cases of company employees being bribed to pass on cards or personal identification numbers. So systems suppliers are looking at a variety of ways of using forms of identification unique.

In the U.S., devices have been developed that scan the retina of the eye to pick up the pattern unique to each person.

Fingerprints are under investigation as a way of controlling entry. Prints are recorded and stored and when someone wants to enter a computer room, bank vault or dangerous area, he places his thumb on a small pad, which checks it against the stored print.

Remotely controlled cameras are another method. Using cameras and a split monitor in a central control room, security personnel could compare the person's face with that on the card.

Other, even more sophisticated systems can electronically store a photo image in a databank. The computer compares that image with that of the person at the entry point.

There have been important developments in monitoring entrances. As a guest registers in a hotel, for example, he can be photographed (covertly or overtly) and his image retained. A video printer can make hard copy prints.

Arrow Surveillance Services, which launched the product, says the value of the system as both a deterrent and an investigative medium is considerable.

Alastair Guild

Hopes for rapid growth dashed

Safe deposit

CHARLES BATCHELOR

SAFE DEPOSIT centres, which rent out electronically-protected lockers for the storage of valuables, are gaining gradual acceptance in Britain. But their backers' early hopes for rapid growth have been replaced by more realistic expectations.

Safe deposits are widespread on the Continent and in the U.S. Yet in spite of rising burglary figures and sharp increases in house contents insurance premiums, the British public has not taken in a big way to storing valuables outside the home.

Nevertheless eight purpose-built centres have opened in London in 2½ years and several more are planned in the capital and the provinces.

Mr David Painter, managing director of National Safe Corporation, a UK affiliate of the U.S. company said: "Expectations have not been met. They were wildly optimistic.

Questioned

"The centres will not break even in the first year. They will experience a slow build-up in the rental of lockers over five to seven years."

Two of the most recently completed centres were commissioned by banks. Standard Chartered Bank has a 2,000-locker installation at its Park Lane branch while Rea Brothers, the merchant bank, opened a similar centre at its City headquarters this year.

Banks have traditionally provided a rudimentary safe deposit service in branch vaults. However, this is a labour-intensive operation for which they have little enthusiasm. Banks near the new safe deposit centres have been happy to recommend that customers use them.

All the early deposit centres were backed by individuals or companies in the security sector or with document storage activities. Safe-deposit makers have questioned whether banks would take an interest in the new generation of high security centres.

The British arm of Rosengrens, the Swedish security equipment group, said it is finalising plans for a centre in a disused north London branch of one of the big clearing banks.

Safe deposit centres consist of secure vaults containing corridors lined with lockers. Customers have to prove their identity before being allowed into the secure area. The centres contain private cubicles to examine contents of boxes or for discussions with advisers.

Rosengrens said the contract on which it is working in North London is for a robot installation.

Rosengrens designed and built the first five centres opened in the UK but this monopoly has since been broken by National Safe, which built the Standard Chartered and Rea Brothers centres.

National Safe is working on four more projects. The largest is a 15,000-locker centre in Wembley, west London, aimed at the large Asian business community, which is more familiar with safe deposit centres.

Rosengrens is building centres on Guernsey and the Isle of Man.

A typical 5,000-locker centre costs £750,000 and several schemes have been delayed or foundered because of problems with raising the funding.

This has meant that Rosengrens and National Safe have moved into providing financial advice to private consortia interested in backing the centres. Rosengrens will also operate and manage them.

Realistic

Centres not backed by a bank or well-known company may face a credibility problem with potential clients. "We advise private backers to strengthen their boards of directors and include people of note," said Mr Painter.

"They should also use the services of a reputable guarding company."

The more realistic view taken of the growth prospects of safe deposit centres may be reflected in the fact that none of the original companies have added to the number of centres they run.

Securicor has no plans to expand beyond the centre it opened at its headquarters in Victoria, London. Hay's Business Services has a centre in the City of London, while Gomba, the privately owned trading and industrial group, has three centres in Mayfair, Knightsbridge and St John's Wood.

Problems remain unsolved

VEHICLE INSURANCE costs have risen sharply in recent years but companies can reduce this by conforming to the security requirements of the insurer. Use of containers has virtually eliminated casual theft from vehicles but in spite of the considerable strength of their locking systems, they are still vunerable when driven away to be broken open.

One of the most important aspects of security remains the guarding of details about loads, since most serious thefts are the result of information being passed to outsiders. The Road Haulage Association plays an important part in advising transport operators on how to avoid the pitfalls, and keep them up-to-date with new security measures.

Vehicles

The security of commercial vehicles, particularly those containing valuable goods, is a problem which transport operators have been trying to overcome for many years but has yet to be fully solved. In spite of efforts by police, the security committee of the Road Haulage Association and the manufacturers of security devices, the theft of goods continues to be widespread.

Mr Ian Rycroft, chairman of the RHA committee, said considerable improvement has been achieved in recent years because of security measures, but he pointed out that many "inside jobs" were almost impossible to prevent. The RHA has played a big part in encouraging members to take precautions with valuable loads.

Many insurance companies insist on security devices. The most effective will immobilise commercial vehicles by preventing operation of fuel systems or electric circuits. Others set off hooters or sirens.

Lorne Barling

Security Industry 4

City link sobers profession

Consultants

CHARLES BATCHELOR

A GROWING awareness on the part of companies and prominent individuals that they are vulnerable to criminal or terrorist attacks has created an upsurge in demand for the services of the security consultant.

Books, film and television have imposed a powerful image of the dishevelled and slightly disreputable "private eye" on the public consciousness. In reality the security consultant is more likely to be a dark-suited, dapper figure indistinguishable from the bankers, corporate executives and wealthy individuals he is advising.

Many involved in consultancy have a military or police background. The reputation of organisations such as the SAS and the Special Branch ensures a market for the skills of those who leave or retire.

Lloyd's of London, the international insurance market, and the large insurance companies have a traditional but growing interest in protecting policy-holders from risk. Increasingly, too, big accountancy firms see advice in fields such as computer security as one avenue for their broadening ambitions.

Former policemen and soldiers provide operational skills while insurance brokers, underwriters and accountants provide the business expertise, financial backing and access to client lists. This combination has made for a growing international business which not only benefits the consultants but also produces spin-offs for UK suppliers of security equipment.

This teamwork with the City has played an important part in sobering a profession which in isolated cases went beyond the law in some countries. The lack of licensing or self-regulation remains a source of concern to many, both within and without the security field.

There are no bars — even to those with criminal records — setting up as security consultants. A more common complaint is that untrained individuals can trade on clients' fears and charge large sums for advice which is either useless or even dangerous.

The most important areas in which the consultants work are:

● The assessment of international political risks. Companies operating overseas are becoming aware that alongside the familiar risks of nationalisation or the sudden imposition of export or currency controls, their foreign businesses may be subject to terrorist or criminal action.

One U.S. company took over the lease of an overseas factory on favourable terms, to discover that the building was in an area of guerrilla activity.

A thorough assessment of a country would throw up information on the stability of the government, opposition groups which might use attacks on expatriate companies or executives to damage the government, and the reliability and effectiveness of local police and security forces.

Control Risks, one of the larger consultancies, is making regular reports on more than 60 countries available "on-line" to clients. They will be able to call up the latest information on particularly sensitive areas.

Control Risks was set up in 1978 by Hogg Robinson, the UK insurance broker, but is now independent following a management buyout. It still works closely with Cassidy Davis, the leading London underwriter of kidnap and ransom insurance.

● Security surveys of company installations. Designers often call in security consultants at the planning stage of an oil refinery, airfield, hotel or office block. Consultants also may be commissioned to suggest security measures needed for an existing plant. Their role may extend to advising on equipment suppliers and training and provision of guards.

Defence Systems International (DSI), part of Security Centres Holdings, a UK alarms supplier, is developing substantial business in the Middle and Far East with expatriate companies and governments.

It is protecting two embassies in one Middle East country. Use of trained local personnel is regarded as less provocative should a crisis arise than embassies' own nationals.

● Crisis management. People use consultants to avoid emergencies, but if, in spite of precautions, something does go wrong, they need expert advice on how to handle, say, the kidnapping of a company executive.

Control Risks has made a speciality of this field. If an executive has been kidnapped a Control Risks director will be despatched to help co-ordinate the response while a consultant will go to the scene of the incident to advise on day-to-day negotiations. Professional advice can save lives, minimise disruption to business and reduce ransoms paid, the consultants say.

● Executive and VIP protection. Wealthy Arabs visiting London and other European capitals form the largest single client group, but travelling European and U.S. businessmen are another important market.

This is an area where cowboy operators offering the services of bouncers or "men from the weightlifting club" proliferate. But the professional consultants will supply a small number of men trained in close protection.

They check client's itinerary and advise against busy restaurants or conference hotels with no control over access.

"Unfortunately," says Mr Ken Lodge, managing director of Security Investigation and Protection Services, "there is a tendency for some clients just to want numbers."

● Product contamination. Food, drinks, pharmaceutical and cosmetics companies are at risk from the extortionist who threatens to poison products. Product blackmail is often a safer and more effective way for the extortionist to obtain money or concessions than the more traditional route of kidnapping.

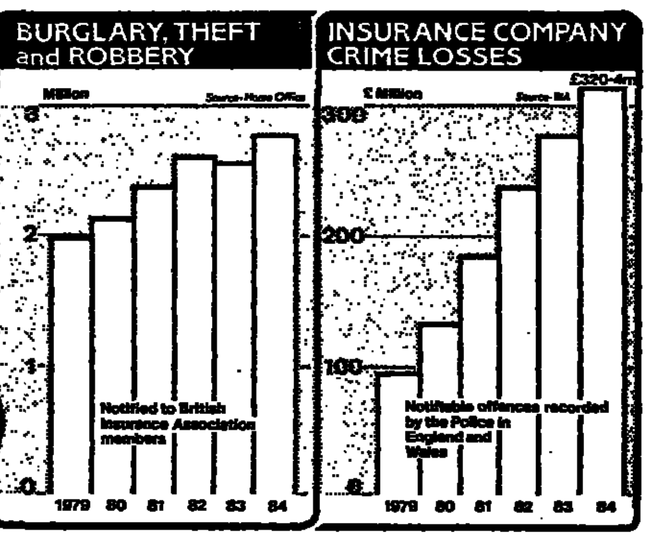
Companies are urged to assess the threat and calculate how much it would cost to meet. Factors to consider are the potential for harm, the severity of the damage and the chance of detection, says Mr Howard Abbott, founder of Product Safety, part of the Stewart Wrightson insurance group.

Steps can include installing metal detectors on production lines, tamper-evident packaging to alert stores staff and potential customers, and tight staff procedures. Dismissed employees in vulnerable areas should, for example, never be allowed to work out a notice period.

● Internal corporate security. Many large companies employ their own security executives to advise on matters such as controlled access to premises, destruction of documents after use and selection of reliable staff.

Others call in outside consultants to guard against theft of goods and equipment and the leakage of confidential information.

Countering the threat to corporate finances or the corporate image calls for increasingly diverse skills. The rapid growth of sophisticated telecommunications networks and computer systems open a new area of potential risk. The need for the specialist consultant seems set for further growth.



Driving home a sense of risk

Insurance

ERIC SHORT

THE FINAL bill for the losses arising from theft, burglary, armed robbery and so on falls on the insurance industry and the victims' claims on their insurance contracts.

Thus security is of vital concern to the insurance industry in respect of the risks it insures. In recent years the insurance companies and the trade association, the Association of British Insurers (ABI), have been active in making clients—individual and corporate — security-conscious.

This can take two main forms: advice and exhortation on security, and a reduction in premiums for installation of adequate security measures.

The ABI has taken over the role of its predecessor, the British Insurance Association, in producing leaflets, videos and films designed to highlight the risks from theft and fire to commercial and industrial premises and to homes.

Leaflets can only provide a limited amount of information but the ABI has highlighted the weaknesses in houses, offices and factories, which thieves and vandals can exploit and putting forward suggestions for improving security.

With films and videos, the scope is much greater. The presentation can show possible situations to emphasise the message. The ABI has approached the presentation in a professional manner, spending money to have the films and videos made by specialists using professional and well-known actors.

It is difficult to assess the success of these campaigns. On statistical evidence they would appear a failure, as theft costs to insurance companies have risen steadily by a much greater rate than inflation. Theft costs from houses have also risen faster than those from industry and commerce.

However, it is difficult to separate cause and effect in interpreting these statistics. The security of businesses and companies may have improved because of these exhortations, as implied by the figures. Or the cost of thefts from homes may have risen because the growth of videos, home computers, hi-fi and other home electronic equipment has made houses more attractive to thieves.

Encouragement of security measures by lower insurance premiums is a potential influence if applied correctly. For commercial insurance risks this is relatively easy to do, as risks are written on an individual basis. The underwriter, in determining the premium rate, will take into account the risk the various security measures against theft, vandalism and fire in assessing the rate.

Indeed, the underwriter may make it a condition of the insurance contract that adequate security systems are installed and training given to employees. This can be backed up by the insurance company's specialist inspectors checking the premises.

With insurance of houses the situation is quite different. These are underwritten on a global basis, with rates charged on the average claims experience for a class of risk. The theft risk for house contents is rated on a post code system, but the underwriter does not take the type of house directly into account.

The established insurance companies have argued against discounts on premiums to householders who install security systems because:

● The effectiveness of the system depends on the human element, such as ensuring that the system is switched on and is adequately serviced.

● The companies do not have the manpower to check systems, and if they did the cost of inspection would swallow up the premium discount.

● Rating of the discounts would involve underwriters in an impossible task, particularly as much underwriting is now done by computer.

For householders with a high value of contents, such as jewellery and picture collections, risks are dealt with as an industrial one and rated individually. Often the householder has to install adequate security, (checked by the insurance company) to get cover.

It has been left to the smaller insurance companies to lead the way in giving discounts when security systems are installed. These can be as much as 10 per cent of the premium.

This lead has been followed only by Sun Alliance among the majors, under its Hallmark Scheme. This applies only to higher risk where the sum insured is at least £20,000.

Greed and anger pose threat

Computer fraud

ALAN CANE

Continuous monitoring of security and fire alarm systems is provided by nine Thorn EMI Protech's computerised central stations around the UK

DR KARL HAMMER, who retired as one of Sperry's principal scientists a few years ago, once said that natural justice would have to be turned on its head where computer staff were concerned.

They would be judged guilty of operating their machines to their own advantage or their employer's disadvantage unless they could prove, on a daily basis, that they were innocent of misdeed.

Dr Hammer's draconian prediction has not yet been fulfilled, but anxiety among data processing managers and executives responsible for data processing suggests it may not be far off.

The business computer has been an attractive target for the unscrupulous since its invention. Two developments have triggered a new surge of interest in computer security.

First, rapid growth in computer communications and on-line transaction processing, which means that computer data representing large sums of money and confidential information travel continuously and in large volumes around the world's telecommunications lines.

Second, the emergence of personal computers and—more significantly — low-cost modems, which have made it possible for amateur system breakers ("hackers") to gain access to computers and networks.

Hacking

Modems (modulator-demodulators) are the "key" to data communications networks. They convert the language of the computer into electrical signals which can be transmitted on telephone lines. This makes it possible, for example, to dial a remote computer and communicate with it—assuming that the communications procedures for that machine are understood.

Hacking, although it gets the most public attention, is probably the last of the date processing manager's worries, however. Experts say 5 per cent or less of financial loss in computer systems due to human intervention is caused by hackers.

The greater threat is from present and past employees motivated by greed, anger or revenge. Many computer-related frauds, moreover, are in no way "high-tech"; they are conventional frauds in new surroundings.

Dr Ken Wong, of BIS Applied Systems, who specialises in computer security, describes the chief wages clerk who amended the payroll file to inflate the previous weekly earnings records to result in tax rebates for the following week.

Staff on sick leave or on holiday were also credited with normal weekly wages and overtime payment. The clerk persuaded the affected employees that the computer was in error; payslips were manually amended and the tax rebate or overpayment pocketed.

He was caught when a tax cheque he paid from his own pocket to cover his misdoings was acknowledged when he was on holiday; the letter went to the chief accountant who uncovered the fraud.

Mr Alistair Kelman, a barrister specialising in computers and law, tells of the time-keeping clerk who noticed that data in his system was handled through employee numbers, while verification of information was based on names.

It was simple to fill out overtime forms using the names of employees who frequently worked overtime but using his own employee number. Control of the overall system was divided and the fraud was a success.

Dr Wong and Mr Kelman are among the small number of people who have gathered case studies on computer fraud and the way it is perpetrated. Even then, their reports omit the names of companies and individuals. One of the greatest obstacles to the successful detection and elimination of computer crime is the reluctance of most companies to admit that they have been duped and that their systems are not secure.

Mr Kelman, for example, analyses the case of a disgruntied ex-employee who built a "software bomb" into his company's software so it would stop working until a ransom was paid and a code number entered. The company "defused" the "bomb," but no action was taken against the blackmailer, now believed working in another installation.

Password

To a large extent, therefore, making computers secure against fraud involves preventing unauthorised people from access to the system and ensuring that authorised employees do only what is required.

The commonest technique for preventing unauthorised access is a password of four or more letters and/or digits known (in theory) only to the user and changed frequently. But passwords, like personal identification numbers in automated banking systems, can be scrawled on a piece of paper taped to the terminal, or forgotten, or simple to guess.

Passwords in certain systems can be discovered by using a computer program to interrogate the machine. The only real answer is strict password discipline.

Passwords in combination with a plastic magnetic stripe card similar to those used in automated teller machines are an advance on the simple password. But interest is being shown in a French invention, the chip or "smart" card, in which a microprocessor and memory is embedded in to the plastic card.

Such cards can be operated in conjunction with a personal identification number for extra security and are, unlike the ordinary card, virtually impossible to forge.

Research is under way to combine the smart card with a method of measuring some physical characteristic such as finger-prints, voice-prints or retinal measurements. This would give a near certain assurance that the card-holder was who he or she claimed to be.

Preventing intruders from reading data flowing through computer systems either in the machine or in data communications lines requires physical and intellectual controls. Computers emit radio frequency signals corresponding to the information they process which can be read at a distance using suitable equipment.

An answer, much used in military computers, is to surround the computer with a metal screen or cage to block the signal.

Much attention is being directed towards encryption, the most popular option being the U.S. Data Encryption Standard (DES). Manufacturers in the U.S. and Europe are producing the DES in chip form suitable for installation in computing equipment.

But all these esoteric techniques will fail unless management accepts that controls are needed all the way down the line if fraud is to be contained and prevented.

Sweeping away eavesdroppers

Debugging equipment

INEXPENSIVE evesdropping devices or "bugs" can be bought easily in electronic hobby shops and airport duty-free shops. Baby alarms and equipment which will "tap your home for burglars" are regularly advertised.

What this means, in the view of security consultants and equipment manufacturers, is that anyone determined to listen in to a competitor's business meeting or telephone conversation does not have far to look for the means to do so.

"All this equipment that is being bought is being put to use," says Mr Roy Winkelmann, a consultant.

"You can buy a small device from £10. It may be cheap and cheerful but it's enough to do damage," comments Mr Andrew Martin, managing director of Audiotel International, a small manufacturer of equipment to detect "bugs."

The sharp fall in the price of electronic components and the process of miniaturisation have meant the business world is potentially vulnerable to a threat more traditionally associated with military or government targets.

Shredders

Large industrial and financial groups, banks and professional people such as lawyers are becoming increasingly aware of the threat to confidential information. Many commission regular "sweeps" of their premises to see if a device has been planted by a rival or by an employee with a grudge. Some will even test discreetly during a business meeting to see if a participant has brought in a transmitter.

"There is a surprising amount of interest in counter-surveillance," Mr Martin says. "Eavesdropping is unlikely to happen but people are concerned to protect themselves against the potential threat. Companies protect the written word by the use of shredders to destroy documents. They are now realising they need to protect the spoken word."

The increasing amount of business done by telephone, telex and automatic data transmission has made companies more vulnerable to interception. The simplest form of eavesdropping is a small, battery-powered radio transmitter in a room. Its signals can be picked up in a nearby room or car.

The transmitter may be plugged into a socket and use the permanent source of power to signal a radio receiver or one on the same electrical circuit.

Eavesdroppers may also tap into telephone, telex or data transmission networks using the system's power supply.

Cost

Counter-surveillance equipment of varying sophistication is on the market. Audiotel makes a portable radio receiver which scans frequencies in the 10 to 2,000 MHz range and locks onto the strongest signal. It can also search the frequencies in the 25 to 200 KHz range.

Winkelmann Research and Development makes a range of more expensive receivers with a broader range of applications. They are able to detect devices attached to telephone lines by measuring small changes in the voltage.

The user weighs cost of such equipment against ease of use, range of applications and sophistication of the threat.

Companies operating in this field are subject to no form of licensing or self-regulation and many ineffective but expensive counter-surveillance devices are on the market. The whole area of illegal eavesdropping operates in a legal vacuum similar to citizen's band radio a few years ago.

The manufacture and sale of "bugs" is legal but use of an unlicensed transmitter contravenes the Wireless Telegraphy Act. That has not proved a deterrent.

Charles Batchelor

Rising market as safe as houses

Locks, safes, vaults

LORNE BARLING

THE STEADY increase in reported crime in the UK has been a major factor in the continuing success of the British lock industry, while safe makers have found new roles relating to computer media security and cash dispensers.

In general terms, the fortunes of lock manufacturers are closely dependent on the rate of housebuilding, since the great majority of their products end up in domestic doors, with an average of five per home.

However, the trend towards greater domestic security has led to a great increase in the sale of window locks, a rise in demand for high security locks and wider use of other security devices.

The British industry, traditionally based around Willenhall in the West Midlands, has met these changes in demand, but not without competition from importers, notably from Far Eastern countries.

Oldest

It has also been challenged on price, and responded by investing heavily in new designs, incorporating alternative materials such as plastics, and by introducing new methods of production. These have reduced unit costs and strengthened competitiveness abroad.

Many companies are exporting up to 40 per cent of their output, but one of the major markets—the Middle East—has recently been less buoyant than usual. Iran, for example, was a major buyer but has recently reduced imports.

The British market for locks can broadly be divided into two sectors; standard household locks, and high security locks. A number of companies, such as Racal-Chubb, are major suppliers of both.

Chubb, one of the oldest lockmakers, was taken over by Racal in 1984 and has a formidable coverage of the market, with the Chubb Lock Company operating at the high security end, and Josiah Parkes Union at the high volume, low-medium security end.

This sector of the market is valued at about £130m a year at retail prices, including imports, and Parkes is recognised as the market leader in cylinder mortice and level mortice locks.

Until recently, Parkes was mainly involved in the "first fit" market through architecture ironmongers and builders' merchants. But the launch of Union Locks' pre-packed range of locks gave impetus to its position in the retail "second fit" market.

Changing

Parkes claim that the main area for imports has been knobsets and padlocks, plus some volume of higher security cylinder locks, often from Europe or the U.S. The total value of imports, at ex-factory prices, was put at about £7m a year.

The high-security lock market, defined as five-lever mortice locks plus window locks of all types, is estimated to be worth about £45m a year and is increasing relatively fast. Chubb claims about 50 per cent of this market sector and said that its major strength was its 3,000 retail stockists and penetration of the DIY market.

Many lock companies now foresee a greater role being played by DIY stores in the sale of their locks, and it is recognised that the shape of the market is changing.

Yale Security Products, the American-owned company also based in Willenhall, is a high volume producer of conventional door locks, but has diversified into a wide range of products which cover virtually the whole spectrum of security.

In the past 10 years, Yale has completely rebuilt two factories at Willenhall and invested heavily in plant and machinery, computer operated plating plant and a great deal of automation.

This culminated in a plant aimed specifically at producing the new 3200 series cylinder mortice locks, which are used widely in commercial, domestic and institutional premises.

Another major development is the Yaletronics Security system which has been aimed primarily at reducing the number of hotel bedroom break-ins. Using an individual punched card system, security is greatly increased, since lost key cards are invalidated and costly lock changing is avoided.

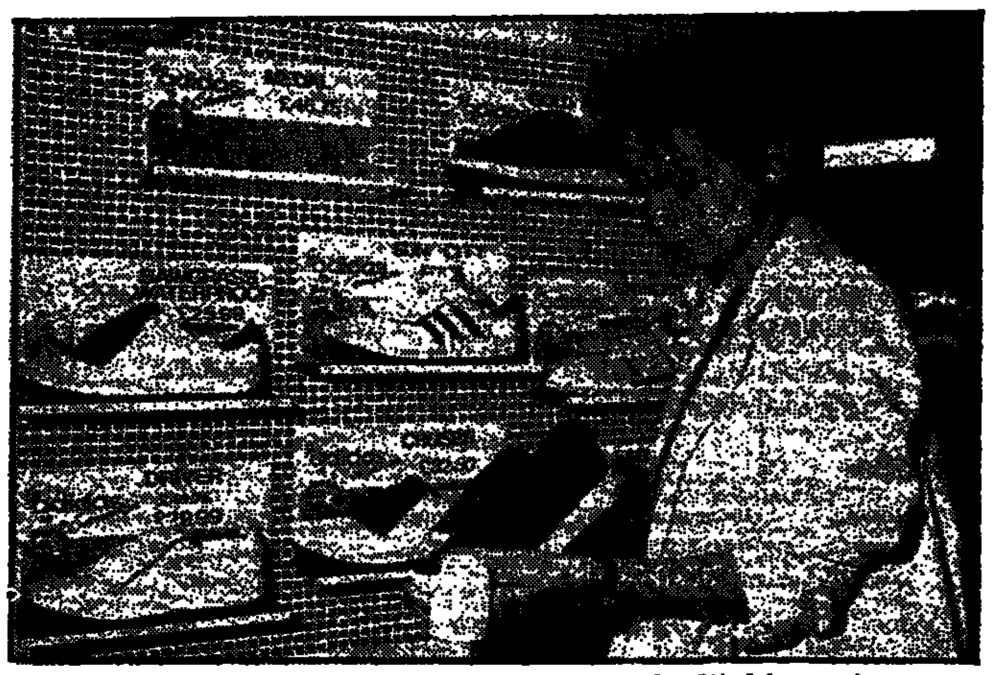
Two companies which have established strong positions in the higher security end of that market are Legge, which is strong in the commercial sector, and Ingersoll, which became known for the quality of its 10 lever mortice locks and has gone on to develop a number of successful products such as those of the electro-mechanical type.

Most companies have recognised the growth potential in a wide range of additional security devices, some as simple as window locks, and others highly sophisticated electronic devices, and each has gone its own way.

Since the post-war boom in safe installation, the British market has declined considerably, but recent changes in technology have created new demand.

Chubb points out that fire-resistant cabinets for computer media are now in strong demand. The company's range of products is claimed to give two hour protection under severe conditions, and caters for a number of size requirements from mainframe down to desk-top computers.

The second growth area is secure cash containers for cash dispensers, and the more sophisticated *automatic* teller machines. European authorities are setting high standards for these machines, which have led to high investment costs for companies entering this market. However, the rewards are expected to be large in the long term.



The range of goods to which security tags can be fitted is growing

A microprocessor-based fire and security monitoring system at Ferranti's Oldham works

Tagging the shoplifter

Retailing

CHARLES BATCHELOR

ELECTRONIC security equipment is starting to make inroads into the retail sector, an area traditionally served by mirrors, observation booths, closed circuit television and guards.

In spite of the efforts of the retailers, the problems of shoplifting and employee theft have continued to grow. Storekeepers in the UK are estimated to lose up to £1.5bn annually — 2 to 3 per cent of turnover — because of "shrinkage." The percentage in the U.S. is similar though the value lost is $25bn.

Some retailers have passed on losses to customers in higher prices. But tougher trading conditions and increased competition are forcing many to try to tackle the problem.

Apart from the financial loss, staff morale and the quality of service to customers can also suffer if shoplifting is a constant threat.

Just under half the recorded shoplifting offences are for goods worth less than £5. Prevention therefore is particularly cost-effective when the cure can involve unpleasantness and violence in detaining the thief and the expense and time involved in a prosecution.

Tags

A survey by accountants Arthur Young in the U.S. for the National Mass Retailing Institute showed that mirrors were the most common anti-theft device used by retailers.

Mirrors were installed in 79 per cent of premises, followed by use of limited access areas (74 per cent), lock-and-chain devices (68 per cent) and guards (also 68 per cent). Electronic tags attached to items for sale ranked as only the seventh most frequently used method.

But tags topped the list of devices retailers ranked as most effective, with a 60 per cent score. They were followed by guards (17 per cent popularity), computerised cash registers (15 per cent), and observation booths (13 per cent). Mirrors trailed with only a 2 per cent effectiveness rating.

Tags are lightweight re-useable plastic devices, usually about the size of a credit card, attached to the item protected. Adhesive tags are now coming into use for food stores. The sales assistant removes or deactivates the tag when the purchase is recorded. If the tag is taken past radio transmitters at the store entrance triggers an alarm.

Two main systems are in use. A passive tag, disturbs a high-frequency signal sent out by the transmitter and sets off an alarm.

An active tag picks up a low-frequency signal, splits the signal to half its frequency and sends it back to a sensor. Transmitters and sensors are located in pillars at the store entrance or in more discreet loops round the door frame.

These systems have achieved a greater penetration in the U.S. but are being increasingly used in the UK and on the Continent. Leading suppliers estimate that 10 to 15 per cent of British *stores* where hard tag systems would be suitable are now protected.

If stores are excluded where "shrinkage" is too low to justify a tag system or where store design is inappropriate, market penetration is probably 30 to 40 per cent. However, the market for adhesive tags in food stores is virtually untouched.

The larger store groups such as C & A, Harrods, Debenhams, Allied Carpets and Cecil Gee, have taken to these fairly expensive systems first. Marks & Spencer has begun a three-year trial of two competing systems in the higher-value departments of some stores. The two systems are from Securitag, part of Automated Security Holdings, and Knogo, a U.S. company.

The range of goods to which the tags can be fixed is growing. After being introduced for clothing they have spread to sportswear, leather goods, domestic equipment, video and audio equipment and high-value gift items. Adhesive tags are now being made for boxed goods and food.

Distributor

Securitag surveyed the UK market about 18 months ago and estimated that Senelco, which has been active in the UK for about 12 years, led the field with 1,250 installed systems.

Securitag had 550, Checkpoint UK, jointly owned by Automated Security and Checkpoint Europe, had 190, Knogo had 175, 3M had 50 and others 30.

Mr John Smith, Securitag operations director, said his company was responsible for half the 500 installations in 1984. Securitag expects to install a further 350 systems this year.

Automated Security is equal partner in Securitag with Security Tag Systems of Florida. Senelco is distributor in the UK and some other countries for Sensormatic Electronics, usually acknowledged to be the largest of the companies in this sector and another Florida-based company.

Thorn EMI Protech, the intruder and fire alarm division of Thorn EMI, moved into the tag market last September. But established companies query whether there is room for the newcomers.

"It's not an easy market at the best of times," Senelco said. "We don't understand why so many new companies are coming in. It takes a great deal of effort to service these systems."

One of the problems the first companies into this market had to contend with was a fear by retailers that customers would be deterred, especially if the equipment produced false alarms.

But customers are becoming more familiar with tag systems and equipment reliability has also improved. Some early tag systems could be triggered by flickering lighting, transistor radios and hearing aids. The backers of active tags say the high-frequency signals used in passive systems can be more easily shielded by the thief's body or a metal object.

The relatively high cost of tag systems compared with more traditional retail security means that most retailers start by renting.

One supplier said prices for a standard six-foot door system started at about £2,500 while another quoted £4,600. Rents can start at £15-£30 a week.

Retail security is only one application for tag technology. Intelligent coded tags can be used to chart the progress of components on a car production line and order production robots to carry out specified tasks. At the end of the line the tag will notify the plant's central computer that the vehicle has been built.

Tags can also be used for access control. They can be worn on clothing or carried in a bag and allow access to the wearer without being inserted into a reader.

A similar system has been developed to allow pigs and cattle access to automatic feeding troughs which supply food in the quantities programmed into each animal's tag.

"The future of the market does not lie with retail," said Securitag's Mr Smith. "The technology is there. Now the question is how to market it.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday September 13 1985

Court restrains Hanson in SCM purchase

BY TERRY DODSWORTH IN NEW YORK

THE TAKEOVER battle for SCM, the New-York based conglomerate, took a fresh turn yesterday when Hanson Trust, the UK group which formally dropped its bid for SCM on Wednesday, was placed under a court order restraining it from buying further shares in the open market.

SCM took legal action following a flurry of activity in the company's stock late on Wednesday, when Wall Street traders said that Hanson was picking up shares in a last-minute attempt to block the management buyout of company stock.

Earlier in the day, Hanson had withdrawn its $72 a-share bid for SCM after a management consortium headed by Merrill Lynch, the U.S. securities house, and funded by Merrill and Prudential Insurance, had raised its offer to $74 a share, valuing the company at around $900m.

In hectic late trading about 3.6m SCM shares changed hands and some dealers claimed that Hanson had raised its stake in the U.S. company to around 23 per cent.

Shares which Hanson picked up in this purchasing spree appear to be unaffected by the court's restraining order, according to a statement from SCM yesterday. Payment by Hanson on this stock would be permitted, it said, although the court had asked Rothschild Inc, Hanson's investment bank, to set these shares apart, subject to the equity power of the courts to rescind such transactions.

The statement added however that Hanson, or anyone acting on the UK company's behalf, was under a restraining order, against "any additional purchases."

Yesterday share turnover in SCM stock was minimal in early trading, and the share price drifted down a further $¼ to $72¾. Analysts believe that an agreement between SCM and Merrill, whereby two of the most valuable assets in the U.S. conglomerate could be sold off at what is regarded as a favourable price to the investment bank, puts Hanson in a weak position.

In response, however, the UK company may be intent on purchasing one third of all SCM because the Merrill-backed consortium has said it will only continue with the bid proposal if it achieves acceptance by two-thirds of the shareholders.

Laly spending spree makes it largest Kosmos shareholder

BY FAY GJESTER IN OSLO

LALY, the Norwegian investment firm which recently sought to acquire Kosmos, the shipping and industrial group, has become the group's largest single shareholder through a NKr 220m ($25.8m) share purchase which has boosted its stake in the company from 10 per cent to 21 per cent.

Kosmos, which after recent share issues has a market value of around NKr 2bn, says it is not worried by the development. It announced yesterday that the struggle for control of a majority shareholding was over, and that it had "a stable ownership structure."

Laly is the vehicle of two brothers, Wilhelm and Arne Blystad, who have been involved in several major Norweign takeover deals during the past year or so – always emerging with a profit.

Kloster, the cruise shipping group, last month followed Laly in an unsuccessful bid for control of Kosmos. By switching sides at the last moment, Laly helped thwart Kloster, and as a result is on good terms with Kosmos management. Kosmos has agreed to take an unspecified stake in a drilling rig which Laly plans to build in Norway, for charter to Conoco.

Market sources suggested that the block of around 1m shares acquired by Laly had been bought from Nord Finanz Bank, of Switzerland, which was previously regarded as a Kloster ally. Kloster is understood to have had first option to buy the shares, but chose not to do so.

Kosmos achieved sharply-increased turnover and operating profits in the first half of 1985, compared with a year earlier, although pre-tax profits were down because of higher depreciation and lower extraordinary income from ships sales. Turnover was NKr 1.64bn compared with NKr 1.17bn, and gross operating profit NKr 266m, (NKr 203m). Group profit before extraordinary items was NKr 49.6m compared with NKr 46.8. The strongest contribution was from the industrial side.

The report said that the group's recent expansion, and the investments this had involved, would contribute to its present "positive development." Profits for the second half of the year were as a rule better than the first six months.

Among Kosmos' most recent acquisitions are a printing and newspaper business and a chipboard manufacturer. Both deals are in line with the group's policy of diversifying away from shipping, originally its main activity. One of them has been financed by a new issue.

The newspaper is Sandefjords Blad published in Sandefjord, the east Norwegian coast town where Kosmos has its headquarters. For an undisclosed price, Kosmos has secured over 50 per cent of the paper's 39,000 shares.

The chipboard producer, Agnes Fabrikker, is being purchased outright from Swedish Match for 350,000 new Kosmos shares, issued for the purpose. At current prices they have a total market value of just over NKr 75m.

Allied puts Prestolite up for sale

BY PAUL TAYLOR IN NEW YORK

ALLIED CORPORATION, the diversified U.S. manufacturing and chemicals group which has just completed the $5bn acquisition of Signal Companies, yesterday put its Prestolite motor and ignition division on the auction block.

Allied said it is seeking a buyer for Prestolite, part of Allied's automotive unit, because the business is not compatible with the group's other automotive businesses.

Prestolite is a major supplier of electrical products to the automotive, material handling, industrial, marine, aircraft and other markets. It employs 1,500 people and has facilities in six states and the UK.

The division had sales last year of $132m, of which about 13 per cent are auto-related. In 1979 it was acquired by Allied as part of the group's $598m acquisition of Electra – a deal which signalled the start of a huge acquisition programme under Mr Edward L. Hennessey, Allied's chairman and chief executive.

Allied, which had total net sales last year of $10.7bn including $2.6bn from its combined automotive group, said the Prestolite division was "viable," but would not comment on its profitability.

Chairman of Gucci wins round in family row

By James Buxton in Rome

THE fight for control of Gucci entered a new phase as Sig Maurizio Gucci, embattled chairman of the Italian clothing and leather products company, won a round in the family struggle for the company.

Through the intervention of a Milan magistrate, he has prevented the holding of a shareholders' meeting, scheduled for yesterday, at which he would not have been able to exercise his voting rights on 50 per cent of the company's equity.

Last month, a Florence magistrate ordered the sequestration of Maurizio Gucci's shares, pending an investigation of a claim that the signature on the document under which he obtained them from his father, Rodolfo, was forged.

The request for sequestration was made by Maurizio's uncle, Aldo, and Aldo's sons, Giorgio and Roberto, who between them control 46.6 per cent of the company. Maurizio last year succeeded in removing his two cousins from the board of the company and assuming full control himself.

The Milan magistrate ordered the shareholders' meeting to be postponed until someone had been appointed by the Florence magistrate to represent Maurizio's sequestered shares. In the absence of Maurizio's votes his position in the company could have been in jeopardy.

Maurizio Gucci has denounced the forgery accusation against him as "infamous" and publicly denied it.

Lesieur profits tumble in first half

By Our Financial Staff

LESIEUR, the French edible oils group which was forced to cut its dividend for 1984, reports a further steep decline in profits for the first half of 1985.

Net profits have tumbled to FFr 34m ($3.8m) from the FFr 94m of the opening six months of 1984. The setback is mostly due to a decline in activity in French fats business, Lesieur said yesterday.

Trading so far this year has also been marked by a big increase in promotional costs following the launch of new products and the onset of keen competition.

However, Lesieur looks forward to a reversal of the recent trading trend over the final months of the year. It expects to increase its market share for sunflower oil and has high hopes for good returns on the margarine operations launched at the end of 1984.

CHIC CLOTHING FOR FRENCH INFANTS ALLOWS TEXTILE MAN TO GO PUBLIC

Clayeux steps out of baby shoes

BY DAVID MARSH IN PARIS

M GERARD Clayeux, chairman of the Burgundy-based baby garment company which bears his name is wearing a smile almost as beatific as the cherubic infants on hoardings advertising his latest creations.

The Clayeux company, the latest in a series of profitable small textile concerns to go public in France, is bringing 10 per cent of its shares to the Lyons second marché (unlisted securities market) next week.

M Clayeux, who set up the company with his wife, Irene, in 1953 and owns 99 per cent of the shares, stands to earn about FFr 13m ($1.45m) from the equity sale. He says he has not thought much yet about what to do with the money. But he toys with the idea of buying a star player for the local second division football club, of which he is chairman. The team also wear acrylic Clayeux shirts.

Clayeux, with net profits of FFr 12.6m last year on sales of FFr 132.6m, has chosen a relatively depressed time to take the plunge into the equity market. Sales have fallen 4 per cent since 1982, when they were boosted artifically by the short-lived spending boom brought in by the Socialist Government's reflationary measures.

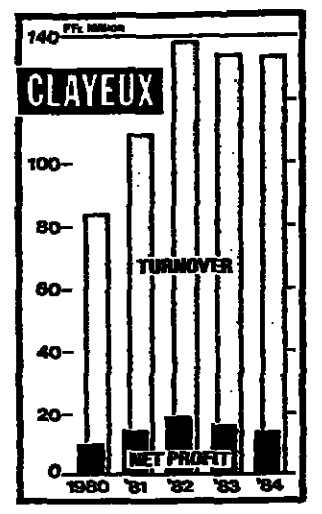
Profits fell last year 20 per cent from the 1983 level. M Clayeux says the company – which sells its high quality garments and knitwear for children up to two years through a network of 2,000 specialised babywear outlets – is now profiting from restocking by retailers after the 1983-84 downturn. Sales are expected to rise in 1985 by 12 per cent to FFr 148m, with a similar increase seen in 1986.

Net profit is this year expected to rise about 10 per cent. This will work out at about 9.3 per cent of sales – well down from the exceptional 13.7 per cent ratio achieved in 1982 – although the ratio is expected to recover to 10 per cent next year.

M Clayeux says he was approached around two years ago about a bourse introduction. The suggestion came from Société Lyonnaise de Banque, the leading regional bank in south-east France, which is managing the operation, but he felt the time was not ripe.

Among the reasons why Clayeux feels the situation has changed – apart from having the likelihood of profits increases to offer to shareholders – is the overall success of the second marché since it was launched, for both the main Paris and provincial bourses, in February 1983.

Another is that M Clayeux wants to lower his stake to pave the way for the day when the enterprise eventually passes from his control. A risk traditionally faced by many



French family companies is that death of the patron and sole shareholder can not only rob the enterprise of its dynamism but also leave families with crippling death duties.

M Clayeux's son, Gilles, is a director of the company and is in charge of the group's fledgling business in the U.S., where it has a 25 per cent stake in a shop in Philadelphia (loss-making up to now) and is seeking other outlets in New York and Los Angeles.

The share introduction is also a step towards raising cash from the equity market to finance diversification. The group is extending its age range in children's clothes up to the age level of six and is also moving into women's clothing. The creation of additional production capacity should allow the company to make knitted and woven garments under sub-contract for other textile companies.

At the offer price of FFr 325 for each FFr 10 share next week, Clayeux is worth an estimated FFr 130m. As many as 20 per cent of its shares could end up with the public during the coming months if the bourse response is good.

Clayeux exports 18 per cent of its sales, with its main direct export market in Britain. It also has licensing accords with local manufacturers in Spain, Japan and Morocco.

M Clayeux depends on the custom, widespread in France, of giving elegant miniature outfits to mothers for their first-born babies. "We are the sole country to dress our babies so well," he says. An estimated 200,000 babies across the country could own up to eight tiny dresses or trouser suits with the Clayeux label.

The babywear king professes not to be worried about the falling birth rate. "We are mainly there for the first child. We don't look at what happens afterwards," he says.

Gencor up 21% but maintains payout

BY ANTHONY ROBINSON IN JOHANNESBURG

GENCOR, the South African mining and industrial group, announced a 21 per cent rise in attributable income to R152m ($63.3m) in the half year to end June 1985. But the first half dividend was maintained at 55 cents despite a 14 per cent rise in earnings per share in order to build up future dividend cover and uncertainty over future trends.

Gold output was slightly higher than budgeted and both the gold sector and mineral exports generally did well because of the depressed rand. It helped to push earnings per share in the mining division up 58 per cent to 136 cents per share, compared with 78 cents last time.

Higher mining income and a 25 per cent increase in earnings by the finance division from 15 to 40 cents a share due to higher interest rates more than compensated for a sharp fall in earnings from the troubled industrial interests of the group. The industrial sector showed a loss of 9 cents per share against earnings of 54 cents in the first half of 1984.

Attributable income was seriously affected by a doubling of finance costs to R314m from R156m. This includes the cost of forward exchange cover on 95 per cent of foreign liabilities.

Several of Gencor's industrial subsidiaries have announced rights issues to ease the pressure of high financing costs. These include its Sappi pulp and paper subsidiary which has raised R200m, Tedelex, the consumer electrics group which is raising R123m and the Kanhym meat subsidiary which is raising R74m.

EUROBONDS

Feast of floating rate notes hits market

BY MAGGIE URRY IN LONDON

TRADERS starved of Eurodollar floating rate note paper in recent weeks were invited to feast on three issues yesterday, all with twists to the terms.

The hit of the day was Crédit Commercial de France's $100m issue, which comes with warrants to buy a fixed-rate bond denominated in European currency units. The floater has a seven-year life and pays interest at 5 basis points above six-month London interbank offered rate (Libor). Fees total 10 basis points and the FRN was trading just above par yesterday. Traders considered the terms generous in current market conditions.

The warrants, priced at $36, have a one-year life and can be used to exchange the FRN for, or to buy with a cash payment, a seven year 8¾ per cent Ecu issue. The exchange rate will be fixed at 97 per cent of the average spot rate next Monday and Tuesday. Investors are keen on currency options at present and the warrants were trading above their issue price too.

Morgan Guaranty launched a $100m issue in the name of its German subsidiary, but with the proceeds being on-lent to Isveimer, the Southern Italy development bank. The credit risk is Isveimer, not Morgan Guaranty. The structure enables the borrower to avoid Italian withholding tax and has been used before.

The FRN matures on January 11 1992 but has a sinking fund which gives a four-and-three-quarter year average life. It uses the mis-match formula which has become popular once more as the yield curve has steepened. The coupon will be the higher of one-month or six-month Libor, refixed monthly and paid six monthly, except for the first coupon which will be paid after three months. Fees total 27 basis points and the bonds were trading around 99.85.

Security Pacific followed the delayed cap structure which made its first appearance on Wednesday. Its $100m issue, led by Banque Paribas, has a seven-year life and from year three a maximum coupon of 13 per cent will operate. Otherwise the interest payment will be set at ¼ per cent over three-month Libor and fees are 40 basis points.

SecPac would probably pay a much finer margin on a traditional floater, so investors are getting a higher return in exchange for the risk of the cap coming into effect. The market can see many more such issues coming and is already beginning to lose enthusiasm. This issue was trading within the fees at around 99.65 bid.

Among straight issues, Dresdner Bank chose a plain vanilla structure for a $100m issue for itself with a seven year life, a 10½ per cent coupon and 99¾ issue price. The issue started weak, but firmed to trade around the 1⅞ per cent fees.

Industrial Bank of Japan was encouraged by strong demand for its issue, launched on Wednesday, to increase it from $125m to $150m. It continued to trade well at around the 1⅜ per cent selling concession. The Eli Lilly deal also stayed firm at a discount of around 1¼ per cent.

Ricoh's $100m issue with equity warrants had its coupon fixed at 6⅝ per cent, as indicated, by Nomura International.

Secondary market trading in the Eurodollar sector was quiet yesterday as dealers waited to see today's U.S. economic statistics.

A Canadian dollar issue was launched for Bank of Tokyo, raising C$60m. The bonds are likely to be sold mainly in Japan. Terms were set at a 10-year life, an 11 per cent coupon and a 101¾ issue price. Bank of Tokyo International is lead manager.

In the Swiss franc foreign bond market Oberösterreichische Kraftwerke, the Austrian power entity, launched a SwFr 100m 12 year public issue led by Credit Suisse. The indicated yield is 5½ per cent, considered sufficient by dealers.

SBC announced a SwFr 50m private placement for Commonwealth Bank of Australia which has a seven-year life. Terms were fixed at a 5¾ per cent coupon and par issue price, giving a slim margin over Swiss banks' seven-year cash bonds. However, the yield is higher than an outstanding Australian issue.

Soditic set the terms for the FAI Financial Services, the Australian insurance group, SwFr 200m 10-year issue at a 6 per cent coupon and par issue price. SBC cut the yield on Tobu Railway's SwFr 50m convertible from the indicated 1⅝ per cent to 1½ per cent. Swiss Volksbank also cut the coupon for Tokyu Tourist's SwFr 25m convertible by the same amount to 1½ per cent.

Seasoned Swiss franc issues were mixed, though traders are becoming nervous about the strength of the dollar.

D-Mark bonds were drifting lower by up to ¼ point with an absence of buying interest. No new issues were launched.

On the Belgian domestic bond market the World Bank launched a BFr 5bn 10-year public issue. Terms were fixed at a 10¼ per cent coupon and a 99¾ issues price and the deal was led by a group of six Belgian banks. The initial response to the issue was good.

● Nestlé's participation certificates issue has been increased from 200,000 to 250,000 to meet strong demand. The price was set at SwFr 1,410 each. Lead manager is Credit Suisse First Boston.

International bond service, Page 22

CBS mandate awarded

BY PETER MONTAGNON IN LONDON

BARCLAYS Merchant Bank has won a hotly contested mandate to lead a $200m, five-year note issuance facility in the Euromarkets for CBS, the U.S. broadcasting and entertainment group.

Although Barclays would not discuss details of the deal yesterday, bankers believe that the mandate is the first sign that, after a slow start, it has now decided to become heavily committed to the Euronote market.

CBS will use the facility to back up its borrowing in the U.S. commercial paper market but it is a refinancing at lower cost of existing lines and does not represent any incremental borrowing. Because of this, and because of competition for the mandate, the terms on the deal are believed to be extremely fine. They are due to be disclosed when the borrowing enters syndication, probably within the next two weeks.

U.S. money banks have been upset this year by evidence that foreign banks have been undercutting their lucrative domestic standby credit business through the arrangement of note issuance facilities for commercial paper market borrowers.

One deal, a $200m facility for Colgate-Palmolive which was led by Samuel Montagu, proved particularly controversial in this respect and bankers say they will now be watching keenly for U.S. bank reaction when the terms on the CBS facility are revealed.

INTERNATIONAL COMPANIES & FINANCE

Stevin reduces profits

By Our Financial Staff

VOLKER STEVIN, the Dutch construction group which has been hit by losses in recent years, reports reduced profits for the first half of 1985 and says earnings overall this year will fall short of 1984.

The group, which is big in road construction (almost a third of 1984 turnover) and dredging, has made a net profit of Fl 2m ($60,000) for the first six months, down from Fl 8m a year earlier. Turnover dipped to Fl 875m from Fl 930m.

Operating earnings tumbled from Fl 28m to Fl 14m and Volker Stevin lays a large part of the blame on bad weather in the Netherlands for most of the trading period. Domestic turnover accounts for more than 60 per cent of the group total.

The company says that operating results will improve during the current six months, but that total earnings will still fall "a few million guilders" short of the Fl 16m after tax returned for 1984 as a whole.

Volker Stevin has never really recovered from the string of losses which hit the group in the early 1980s, notably the Fl 280m net deficit of 1980. It has not paid a dividend for several years.

Promet suffers sharp setback

BY WONG SULONG IN KUALA LUMPUR

PROMET, the Malaysian and Singapore construction, marine engineering and oil exploration group, has reported a sharp decline in earnings, with pre-tax profits falling 66 per cent to 14.5m ringgit ($5.8m) for the first half to June, compared with the previous 43m ringgit.

Turnover rose 40 per cent to 193m ringgit. Net profits were 7.5 m ringgit, representing a decline of 78 per cent.

The group, which is controlled by Datuk Brian Chang of Singapore and Tan Sri Ibrahim Mohamed of Malaysia, is feeling the full impact of a drying up of orders for oil rigs, as well as the lack of success so far in its oil exploration ventures.

Uncertainty also surrounds Promet's ambitious and controversial project on Langkawi island off northern Malaysia.

The project, estimated to cost more than 2bn ringgit, is aimed at developing Langkawi into an international tourist destination, but so far there has been poor response by international investors to take up various offers proposed by Promet.

Promet shares have fallen steadily on the Kuala Lumpur stock exchange and its current market capitalisation of just over 400m ringgit compares with a value of above 1bn ringgit at the start of 1984.

Move on OTC stocks

BY OUR NEW YORK STAFF

THE U.S. Securities and Exchange Commission, in a significant move towards further de-regulation of the securities markets, has approved a proposal which will allow U.S. stock exchanges to begin trading a limited quota of currently traded over-the-counter stocks, as reported briefly yesterday.

Under a one year experimental plan, designed to encourage competition, exchanges, like the New York Stock Exchange, American Stock Exchange and others, will be allowed to trade up to 25 stocks currently traded through the National Association of Securities Dealers' (NASD) automated quotation system, beginning on January 1.

The decision, which removes another long-standing barrier between the NASD market and the exchanges, is likely further to intensify pressure for other changes, including off-board trading by exchange member firms and other steps which would help integrate the NASD dealer system and the exchange markets. In an earlier move this year the SEC conditionally approved exchange trading in a limited number of options on OTC stocks. That programme, which has been taken up by several exchanges, is currently under review.

UBS in deal with Indian finance house

UNION BANK of Switzerland (UBS) has signed a co-operation agreement with Credit Capital Finance Corporation (CFC) of Bombay in the first move by a Swiss bank to expand its business in India, writes William Dullforce in Geneva.

CFC was founded last year as a joint venture by five big Indian industrial enterprises and Lazard Brothers, the London merchant bank.

It has taken over Merwanjee Bomangee Dalal, the oldest stockbroking company in India.

Ashton Mining earnings plunge 20%

By Michael Thompson-Noel in Sydney

ASHTON MINING, which has a 38.5 per cent share in Western Australia's massive Argyle diamond mine, yesterday reported a 20 per cent fall in net profit for the half-year to June to A$4.7m (U.S.$3.3m) following an expected decline in alluvial diamond production, from 3m carats to 2.9m carats.

The company said that the volume and value of diamonds likely to be sold in the second half would be similar to that seen in the first half, with a similar level of profit. Ashton is 50.5 per cent controlled by Malaysia Mining Corporation.

Alluvial operations at Argyle are being wound down in readiness for a production start-up by the end of this year of the AK1 pipe which is expected to produce up to 25m carats annually.

Kenneth Marston, Mining Editor, adds: The Malaysian tin-producing Berjuntai Tin Dredging reports a net profit for the year to April of M$6.2m (U.S.$2.5m) against a revised figure for the previous year of M$4.8m. A final dividend of 12 cents makes a total for the year of 24 cents against 23 cents.

Malaysia Mining Corporation, which holds 37.4 per cent of Berjuntai, said the downward revision of the 1983-84 earnings from M$5.2m reflects a change in accounting policy on rental income.

During the past year Berjuntai's tin concentrate production rose 25.1 per cent, but sales fell 5.3 per cent and prices were slightly lower.

'Johnnies' sets hopes on better results

By Kenneth Marston in London

SOUTH AFRICA's Johannesburg Consolidated Investment ("Johnnies") mining and industrial finance house is hoping for a further rise in group profits in the year to June 30, but much will depend on a favourable exchange rate being received for the group's U.S. dollar-priced metal sales, notably of platinum and gold.

Helped by increased investment, the industrial interests managed to achieve slightly increased contribution to group profits in 1983-84. The deterioration in South Africa's political and economic situation, however, has darkened this year's outlook for industrial profits which "are likely to worsen significantly in the immediate future," says Mr Gordon Waddell, chairman, in the annual report.

Mr Waddell discloses that discussions have begun regarding the possible establishment of a new gold mine on farm Leeuwbult in the southern Orange Free State. Johnnies and Randfontein Estates each have a 45 per cent interest in the area with Anglo American Corporation holding 10 per cent.

If it is decided to go ahead with a new mine – news on this is expected within about six months – the property will be named after Mr H. J. Joel who was chairman of Johnnies from 1946 to 1962. It would be a relatively shallow depth operation with a prospective life of about 20 years.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for September 12.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	100⅞	101⅜	0	−0½	10.52
Amex Credit 12⅝ 88	150	104⅞	105⅜	−0⅛	−0¾	10.57
Atlant Richfld 10¼ 00	250	93	93½	−0⅛	−1⅝	11.19
Australia Com 11¼ 90	100	102½	103	−0¼	−0¾	10.65
Australia Com 11 95	200	101½	102	0	−1⅜	10.68
BP Capital 11¼ 92	150	101⅞	102⅜	0	−0⅞	10.82
Canada 11½ 90	500	104¼	104¾	0	−1½	10.17
Canadian Pac 10¾ 93	100	100½	101	0	−0⅝	10.58
Canadian Pac 12½ 89	75	106½	107	0	−1	11.50
CBS Inc 11⅝ 92	100	101⅜	101⅞	−0⅛	−1⅜	11.01
Chevron U.S.A. 12¼ 89	500	103⅝	104⅛	0	−0⅝	11.00
Citicorp 11½ 95	150	100¼	100¾	+0⅛	−0⅞	11.39
Coca Cola 10¾ 91	100	106	106½	−0⅛	−1⅜	10.31
Denmark Kingdom 11¼ 89	100	101¾	102¼	+0⅛	−1¼	10.52
Denmark Kingdom 11½ 90	100	103⅛	103⅝	0	−1¼	10.51
Denmark Kingdom 11½ 92	100	102⅝	103⅛	−0⅛	−1⅜	10.83
Denmark Kingdom 13¾ 91	100	109⅝	110⅛	−0⅛	−1⅜	10.93
E.D.F. 10 95	225	94¼	94¾	−0⅛	−1½	10.93
E.E.C. 11⅛ 90	100	101⅞	102⅜	−0⅛	−1¼	10.46
E.I.B. 12 95	200	106⅞	107⅜	−0⅜	−1⅝	10.91
Export Dev Corp 10 90	100	99⅝	100⅛	−0⅛	−1¼	10.29
Export Dev Corp 12 89	100	105¼	105¾	0	−0⅞	10.25
Fed Dep Stores 10⅛ 95	100	96¼	96¾	−0⅛	−1⅛	10.71
Ford Motor Cred 11⅝ 90	100	101⅝	102⅛	0	−0¾	10.76
Ford Motor Cred 11⅝ 95	100	101⅛	101⅝	−0⅛	−1⅝	11.25
Ford Motor Cred 11¾ 92	100	102	102½	−0⅛	−1⅜	11.22
Ford Motor Cred 12 95	100	103⅝	104⅛	−0⅛	−1⅜	11.28
Gen Elec Credit 10¾ 00	200	99⅝	100⅛	0	−0¾	10.25
*GMAC 10¼ 89	200	99½	100	−0⅛	−1⅛	10.30
IBM Credit 10⅜ 2000	300	100⅞	101⅜	0	−0⅞	10.21
Kellogg Company 10⅞ 90	100	101⅝	102⅛	0	−1	10.28
Kellogg Company 11¼ 92	100	102¾	103¼	−0⅛	−1⅛	10.55
L.T.C.B. 12⅝ 91	100	106⅝	107⅛	0	−1⅛	10.88
Macy Cred Corp 11¾ 95	100	103¼	103¾	+0⅛	−1⅝	11.10
Mellon Bank 13 87	100	104⅞	105⅜	0	−0¼	9.92
Merrill Lynch 12¾ 89	100	104¼	104¾	0	−1⅛	11.29
Minnesota 11½ 87	100	102⅛	102⅝	0	−0⅝	9.75
Mitsui Trust 11⅝ 90	100	101⅞	102⅜	−0¼	−1⅛	11.08
Morgan Guaranty 12⅝ 89	150	105¼	105¾	−0⅛	−1	10.88
Penney J.C. 12¾ 91	100	106¼	106¾	0	−1	11.21
Pru Realty secs 12⅛ 95	548	106¼	106¾	−0¼	−1⅜	10.95
Qantas Airways 10¾ 95	140	97¾	98¼	0	−1⅜	10.70
Quebec Hydro 11½ 92	100	102¾	103¼	0	−1⅛	10.86
Queensland Govt 10¼ 95	100	96⅛	96⅝	−0⅛	−1⅛	10.85
Ralston Purina 11¾ 95	150	103¾	104¼	−0⅛	−1	11.08
Ralston Purina 12¾ 89	100	106¾	107¼	0	−0¾	10.54
Saskatchewan 10¾ 92	100	100¼	100¾	−0⅛	−1⅛	10.61
*Saskatchewan 11⅞ 89	100	104⅝	105⅛	0	−0⅝	10.35
Statoil 10 90	170	99⅜	99⅞	0	−0⅞	10.38
S Wales Trsy 11¾ 90	150	103½	104	−0⅛	−1⅜	10.65
Swed Exp Cred 10 92	100	96⅝	97⅛	0	−1⅜	10.85
Swed Exp Cred 12¾ 89XW	100	106⅜	106⅞	0	−1¼	10.63
Sweden Kingdom 10⅞ 90	200	101⅛	101⅝	0	−1	10.48
Sweden Kingdom 11⅛ 89	200	103⅛	103⅝	+0⅛	−1⅛	10.44
Sweden Kingdom 11¾ 94	100	104¾	105¼	−0⅛	−1⅜	10.85
Tenneco Corp 10¾ 95	150	98⅝	99⅛	−0⅛	−1½	10.98
Texaco Capital 11⅛ 95	250	99⅞	100⅜	0	−1⅜	11.08
Tokai Asia 11½ 95	100	101⅜	101⅞	−0⅛	−1⅜	11.20
Victorian Rep 11⅝ 92	150	102¼	102¾	0	−1⅛	10.87
World Bank 10⅛ 95	300	96⅜	96⅞	−0⅛	−1½	10.80
World Bank 12⅞ 94	200	110⅝	111⅛	0	−1⅜	10.91

Average price change On day −0⅛ on week −1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	106½	107¼	+0⅛	−0⅜	6.95
Austria, Republic 7⅝ 94	200	104⅞	105⅜	+0¼	−0¼	6.78
Baxter Travenol 7¼ 94	200	103⅝	104⅛	+0⅜	+0¼	6.65
Copenhagen 7⅝ 95	150	101⅝	102⅜	+0⅛	−0¼	7.37
Credit National 8⅛ 94	200	107	107¾	+0⅛	−0¾	6.93
E.I.B. 7¼ 94	300	103⅛	103⅝	+0⅛	−⅜	6.74
Escom 8 92	150	92⅞	93⅝	0	−2	9.41
Ex-Im Bk Korea 7⅝ 90	100	†99	99¾	−0⅛	0	7.77
Ferrovie Dello Stato 8 91	100	†105½	106½	0	−0⅞	6.66
Finland Republic 7 92	200	†101¼	102¼	−0⅛	−0¼	6.64
Gould Int Fin 7⅝ 91	100	†104½	105½	0	−1	6.53
Ireland 8⅛ 92*	150	106⅛	106⅞	0	+0¼	6.87
Japan Fin Corp 7⅝ 91	100	105⅛	105⅞	0	−0¼	6.45
(a Mitsubishi Hvy 3½ 89WW	300	154⅞	155⅞	+1⅛	+4⅜	−9.01
Mitsubishi Hvy 3½ 89XW	300	92⅝	93⅜	−0⅛	−0½	5.59
Mitsubishi Met 3⅛ 89WW	100	105	106	−0⅛	−0⅜	1.78
Mitsubishi Met 3⅛ 89XW	100	89⅝	90⅝	−0⅝	−0⅞	5.99
Quebec Hydro 7⅝ 95	200	103	103¾	0	−0⅞	6.84
Renfe 7¾ 95	100	103⅞	104⅝	+0⅛	−0⅛	7.14
ReNown 3⅛ 90	80	110	111	+0½	+3⅞	0.88
Soc Cent Nuclear 7¾ 95	150	†101	102	+0⅛	−0⅜	7.03
Societe Cent Nuclear 8 91	100	107⅛	107⅞	−0⅛	+0¼	6.40
Sth African Tran 7⅝ 92	100	90⅛	90⅞	−0⅛	−2	9.59
World Bank 7 95	600	†101¾	102¼	+0¼	−0¼	6.71
World Bank 7¾ 89	100	103½	104¼	+0⅛	+0⅛	6.43

Average price change On day +0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	†101¾	102	−0⅛	−0⅜	5.97
Avon Cap Corp 5⅝ 94	130	†99¾	100¼	0	+0¼	5.37
Brit land Comp 6½ 99	75	†103¾	104	+0⅛	−0⅝	6.08
Council of Europe 6 92	120	†103	103¾	0	+0⅛	5.42
Creditanstalt 5½ 94	100	†99¼	99¾	0	0	5.57
Deutsche Bk Fin 5⅜ 95	100	†101	101½	0	−0¼	5.20
E.I.B. 5⅞ 94	120	†102½	103	0	+0½	5.48
Export Dev Corp 5⅜ 92	125	†101	101½	0	0	5.16
Gen Occidentale 4½ 94	80	104		0⅛	−0⅝	3.90
I C Industries 5⅝ 94	125	†103	103½	−0½	+1	5.17
Ind Fund Fin 5¾ 94	40	†101¾	102¼	+0¼	−0¼	[illegible]
Int-Am Dev Bk 6⅛ 94	120	†102½	102¾	+0⅛	−1⅛	5.75
N.ZeAland steel 5¾ 96	70	†99¼	99½	0	−0⅛	5.82
Oberoi Kitwk 5⅝ 95 ww	100	†99¼	99¾	+0⅛	0	5.44
Ralston Purina 5⅜ 94	125	†101	101½	0	0	5.20
Santos Finance Ltd 6 94	130	†100	100¼	−0⅛	+0⅛	5.98
Tokyo Elec Pwr 5½ 93	120	†100¼	100¾	+0⅛	0	5.41
Tokyo Metropolis 5¼ 94	80	†99¼	99¾	−0¼	0	5.32
World Bk 5¾ 94*	150	†101½	102	−0¼	+0¼	5.50

Average price change On day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6¾ 90	15	100⅜	100⅞	−0⅛	−0¼	6.59
Gdyr Tr & Rubber 7⅛ 95	25	99¾	100¼	0	−0¼	7.22
Mort Bk Denmark 7 92	10	100⅜	100⅞	−0⅛	0	6.87
New Brunswick 7⅛ 95	10	101⅞	102⅜	0	−0⅛	6.82
Swed Exp Cred Zero 90	14	72	72½	−0⅛	−0¼	6.99

Average price change On day −0⅛ on week −0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Chrysler Fin 13⅝ 92 SA	55	100½	101½	−0¼	−1	13.38
Rural & Inds. 13¼ 88SA	50	96⅛	97⅛	+0⅛	+0⅛	14.73
SBSA Finance 13 88 SA	50	94⅞	95⅞	0	−1¼	15.04
State Bk NSW 12¾ 90 SA	75	93⅜	94⅜	−0⅜	−2½	14.85
Amex 10¾ 90 CS	50	100	100½	−0¼	−1⅛	10.62
Genstar Fin 11¾ 95 CS	75	98¾	99¼	−0⅛	−0¼	11.91
Harel-WestCth 10¾ 95CS	25	†95½	96	+1	−1	11.48
Loblaw Cos 11⅝ 92 CS	50	†99⅜	99⅞	−0⅜	−1½	11.68
New Brunswick 11⅛ 95CS	75	†100¾	101¼	−0¼	−2	11.45
Shell Canada 11¼ 92 CS	75	99⅞	100⅜	0	−1¼	11.21
Winnipeg City 10⅝ 90CS	50	99⅛	99⅝	−0⅛	−0⅛	10.75
Christ Bk 10¾ 88 NS	50	94	95	+0½	+0⅝	10.82
DG Bank 16½ 90 NS	75	100	101	+0½	−1⅜	16.32
Westpac Bk 16⅛ 88 NS	50	94½	96	−1¾	−1½	18.32
Creditanstalt 8⅞ 94ECU	68	98	98½	−0⅛	−0¼	9.09
Motorola 9⅝ 92 ECU	50	98⅞	99⅜	0	−0⅛	9.13
Walt Disney 9⅝ 95 ECU	80	101⅝	102	0	−0¼	9.66
Eurofima 7½ 92 FL	50	104½	105	0	0	6.59
Philips Lamps 7½ 90 FL	100	104	104½	0	−0⅜	6.48
Rank Xerox 8 90 FL	100	104½	105	0	0	6.70
Van Lanschot 7½ 90FL	50	102⅝	103⅛	0	+0⅛	6.75
World Bank 7½ 90 FL	150	104⅛	104⅝	0	−0⅝	6.36
IBM France 11⅛ 90 FF	700	98¾	99¼	0	−0⅛	11.38
Australia Comm 11 92 £	40	99¾	100¼	+0⅛	−0⅝	10.97
BP Capital 10¾ 92 £	50	98½	99	−0⅛	−0¾	11.01
E.I.B. 11⅛ 93 £	50	99⅞	100⅜	−0⅛	−0¾	11.07
GMAC UK Fin 10½ 90 £	30	98	98½	−0⅛	−0¾	10.98
Imp Chem Inds 11¼ 95 £	75	99½	100	−0⅛	−0¾	11.28
Imp chem Inds 10¾ 92 £	75	96⅞	97⅜	0	−1	11.36
Mcdonalds 10⅞ 90 £	40	99⅝	100⅛	0	−0⅝	10.87
Mitsubishi Fin HK 11 90 £	50	99¼	99¾	−0⅛	−0¾	11.11
Privatbanken 11⅞ 92 £	20	100⅛	100⅝	−0⅛	−0¾	11.75
Rank Xerox 11 92 £	40	98¾	99¼	−0½	−0¾	11.19
Royal Ind 10¾ 92 £	80	96¼	96¾	0	−0⅞	11.50
Star Drug Cap 10⅞ 90 £	30	98¾	99¼	0	−0⅝	11.13
Tricentrol XW 11 92 £	35	94	94½	−0⅜	−1	12.27
Trusthouse Forte 11⅛ 90£	50	98¾	99¼	+0⅛	−0½	11.37
World Bank 11¼ 95 £	100	101⅜	101⅞	0	−1⅛	10.95
E.C.S.C. 10½ 94LF	100	103⅜	104⅜	−0⅛	+1⅛	9.82
Nat Lux Alum 10½ 92 LF	600	104¼	105¼	+0¼	+0½	9.54

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	†99⅝	100⅛	27/8	8.6	8.61
BankAmerica O/S 5¼ 96	0⅛	99⅞	100⅜	3/9	8⅛	8.11
Bankers Trust 5 2000	0	99⅜	99⅞	11/9	7.69	7.71
Bankers Trust 5¼ 96	0⅛	100⅛	100⅝	13/11	8.31	8.29
B.F.C.E. 5¼ 99	0⅛	100¼	100½	13/9	10.06	10.02
B.N.P. 5¼ 95 (July)	0¼	99⅞	100⅛	22/1	8¼	8.25
C.C.F. 5¼ 97	0	99⅜	99⅞	22/9	10⅝	10.65
Chase Man'tn 5 2000	0	99⅝	100⅛	12/11	8⅛	8.14
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅜	5/9	7.81	7.80
Citicorp O/S 5¼ 96 Sep	0⅛	99⅝	99⅞	19/12	11.19	11.22
Credit Lyonnais 5¼ 96	0⅛	100⅜	100⅞	11/10	8.69	8.62
Ireland 5¼ 97	0	100	100¼	28/10	9.00	8.98
Ireland 5¼ 99	0	100⅛	100⅜	14/9	10	9.98
Italy, Republic 5 94	0⅛	100	100½	12/11	8⅞	8.85
Lloyds Bank 5⅛ Perp	0¼	99⅞	100⅜	9/12	8	7.99
Midland Bank Perp 5	0¼	99½	100	10/12	8⅛	8.13
Nat West Perp 5	0⅛	101	101¼	13/11	9⅛	9.02
Nat West Perp A 5¼ S	0¼	99⅝	99⅞	9/1	8¼	8.27
Nat West Perp B 5¼ S	0¼	99¾	100	10/2	8.81	8.82
New Zealand 5 97 £	0	99¾	100	14/11	11.56	11.59
Queensland Coal 5¼ 96	0¼	100¼	100½	13/11	9	8.97
Roy Bk Canada 5 2005	0⅛	99⅝	100⅛	5/9	8⅛	8.14
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	11.69	11.78
Sweden Perp 5¼	0¼	100	100¼	9/1	8.31	8.30
Tokai 5¼ 99	0⅛	100¼	100½	12/12	8⅛	8.09

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	109⅜	110⅜	0	8.49
Comcast 7 2000	12/85	23.875	†103¼	104	−0¼	24.45
Fanuc 3¾ 98	1/84	7032.3	152½	153¾	+0¾	35.91
Fujitsu 3 99	5/84	1320.9	92½	93½	+0¼	20.38
Kumagai Gumi 3½ 2000	3/85	600	149½	150¾	+0⅛	1.45
Marui 3½ 99	7/84	1162	122⅞	123⅞	−2⅛	−0.55
Mitsubishi Elec 2⅞ 00	3/85	422	90⅛	91⅛	−0⅝	3.16
Murata 3½ 99	2/84	2351.2	89⅞	90⅞	−0¼	30.95
Murata 3½ 2000	7/84	2398	89⅞	90⅞	−0¼	34.53
Nippon Elec 2⅞ 2000	1/85	1295	83½	84½	+1½	28.24
Nippon Oil Co 3 2000	5/85	923	88⅛	89⅛	−0⅛	1.16
Oki Elec Ind 3½ 99	10/84	805	86¼	87¼	+0⅛	31.00
Orient Leasing 5¼ 98	6/83	2680	95¼	97	−0⅛	1.49
Sekisui House 3 98	8/84	812	143⅜	144⅜	−0⅝	3.22
Sumitomo Bank 2¾ 2000	8/85	2142	96⅜	97⅜	−0⅝	18.02
Sumitomo Corp 2⅞ 99	5/84	593	112	113	−1⅞	8.06
Taiyo Yuden 3¼ 2000	3/85	1078	†82	84	−2	−3.00
Takeda Riken 3⅜ 2000	10/84	7683	†78	80	−1	27.50
Tokyo Sanyo Elec 3½ 99	12/84	772	95⅞	96⅞	−0½	9.97
Toshiba Ceramics 3 2000	4/85	1734.2	82¼	83¾	+2⅛	16.46
Nippon Oil Co 2⅜ 92 SF	3/84	1052	†102½	103	+1	20.00
Nippon Shinpan Co 2 92 SF	3/84	801	†99¼	99½	+0⅛	11.22
Asics 5 92 DM	12/83	520	107⅛	108⅛	0	19.06
Sun Realty 6¼ 92 DM	2/83	338	†321⅝	322⅝	+0	−0.01

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES & FINANCE

FT writers examine reactions by leading Swiss and West German bankers to South Africa's debt moratorium

U.S. to blame, say Zurich gnomes

THE SWISS banks will not take the lead in helping South Africa reschedule its short-term debt and they will not step in to replace credits withdrawn by U.S. banks. Prudence but also considerable irritation with the Americans for precipitating the South African debt moratorium colours the present attitudes of the Zurich banks.

The message for Dr Gerhard de Kock, the South African Reserve Bank governor, when he called on them at the beginning of this week, was that the Swiss were ready to roll over the short-term credits falling due in the next few months (they see no alternative).

They would "carry on the relationship we had in the past in the normal manner" but were not prepared to take over credits withdrawn by others.

This leaves open the possibility that fresh credits could be available, once Pretoria has sorted out the present difficulties. But, as one Zurich banker said, new credit would depend on the market and at present investors and bankers are taking a wait-and-see attitude.

The amount of new medium- and long-term credit that the South Africans could raise would in any case be restricted by the understanding in operation since 1974 between the Swiss banks and the National Bank, placing an annual limit on new lending to South Africa.

Dr Fritz Leutwiler, chairman of Brown Boveri, the Swiss engineering group, has been approached to act as a mediator between South Africa and its creditor banks, according to Swiss bankers, writes William Dullforce.

It was not clear, however, that any formal offer had been made to Dr Leutwiler by South Africa. It is assumed that the approval of the Swiss Federal Council (government) would be needed.

Dr Leutwiler was president of the Swiss National Bank and of the Bank for International Settlements in Basle until the end of last year.

The present limit, which operates as a guideline rather than as a rigid barrier, is SwFr 300m ($123m). It applies to credits of more than SwFr 10m and terms exceeding one year, which need National Bank approval. In 1984, National Bank figures showed an increase in Swiss assets in South Africa of some SwFr 600m to SwFr 4.55bn, but this reflects the growth in Swiss short-term lending that year. Dr de Kock also found little eagerness in the Zurich banks to play the role of "honest broker" or to take the initiative in setting up a rescheduling committee.

Credit Suisse said it thought a U.S. bank should take the lead but, if the Americans would not act, Mr de Kock should turn to London since the British banks had the second largest exposure in South Africa.

A Banker at Union Bank of Switzerland (UBS), which has a larger commitment to South Africa, said its impression after the discussion with Dr de Kock was that "everybody is at a bit of a loose end" on the rescheduling issue.

An important distinction that had to be made, he said, was that the South African situation was not comparable with those of the Latin American countries or of Poland, where creditor banks faced an impossibility of getting payment and had to set up a steering committee to negotiate.

The most suitable arrangement might be for the South Africans to find "a more or less neutral body," he suggested, but Swiss bankers were not party to the decision which had to be taken in Pretoria.

The present Swiss commitment to South Africa is not known. National Bank figures for the end of 1984 show that the 130 most important Swiss financial institutions had assets of SwFr 4.55bn in South Africa and net commitments of SwFr 3.95bn. The net position of the big five Swiss banks was SwFr 3.24bn.

A big increase of SwFr 1.3bn in the net position of the big five occurred in 1984, indicating substantial withdrawals during the year of deposits by South African lenders in Swiss banks.

The Swiss bankers are not ringing alarm bells over South Africa. Dr Nikolaus Senn, president of the UBS executive board, pointed out on Swiss television that the South African economy was basically healthy and was generating a current account surplus of more than $2bn a year.

On the other hand, the Swiss are irritated by the action of the U.S. banks. Swiss opposition to apartheid had been made clear to South African authorities and businessmen on many occasions, said Mr Max Kopp, a member of the Credit Suisse managing board.

But to ask Swiss banks to take boycott measures, which were not justified by banking policy and risk assessment, would be in contradiction to Swiss political institutions and neutrality.

William Dullforce in Zurich

'A crisis which could have been averted'

WEST GERMAN bankers tend to look at South Africa's debt crisis more in sorrow than anger.

Although they are critical of Pretoria's racial policies, leading bankers recognise that political and economic problems, as well as the attitude of some U.S. banks, have created a difficult situation for South Africa.

There has been some annoyance at the behaviour of certain U.S. banks before the South African authorities stepped in with their moratorium on debt repayment. The feeling is that these U.S. banks, by acting unilaterally to withdraw funds from South Africa, may have precipitated a crisis which could have been averted.

Since the crisis erupted, the West German banks have been adopting a low profile. They feel that an orderly approach is needed to the South African problem, but they are reluctant to be manoeuvred into playing a major or conspicuous role in seeking solutions.

West German bankers are quick to stress that U.S. and UK banks are much more heavily involved in South Africa. In addition, it is pointed out that authorities in Washington and London may be in a stronger position to exert pressure on South Africa for political change.

There appears to be a growing view that debt rescheduling will have more successful results if it is accompanied by meaningful reforms in South Africa's political and racial policies. West German bankers nonetheless shy away from political comment.

Moreover, there is an increasing feeling that the four months' moratorium initially proclaimed by South Africa may not be long enough to result in a solution to the crisis.

The precise West German share of South Africa's debt is difficult to pin down.

Statistics published by the Bundesbank, West Germany's central bank, show that the country's credit institutions had claims of DM 1.67bn ($563m) on South Africa and Namibia in June.

WEST GERMAN sales of krugerrands, which local bankers estimate accounted in the past for 15 to 20 per cent of the worldwide market for the South African gold coin, have fallen off sharply in the past few months, Reuter reports from Frankfurt.

The bankers say that, while a year ago three krugerrands were sold in West Germany for every Maple Leaf coin, investors are now buying the Canadian rival in roughly equal numbers.

In addition, subsidiaries of West German banks abroad, notably in Luxembourg, may have lent about DM 1bn to South Africa, according to one banker. Further sums may have been lent by institutions less directly linked to West German banks.

The West Germans claim that their total involvement is not so great as to cause "Kopfzerbrechen," or a splitting headache. Much of the lending is covered by export credit insurance, they say.

According to bankers, it is far too early to say what effect the South African crisis will have, through risk provisions, on this year's balance sheets of major West German banks. The banks need not decide until about February to what extent they should indicate through risk provisions that South African loans may not be as secure as before.

Over the past couple of years the big banks have taken advantage of good earnings to make very sizeable risk provisions on national and international lending. Bank profits have also been good this year.

West German bankers are reluctant to discuss in detail what steps they are prepared to take now.

John Davies in Frankfurt

DAIWA EUROPE LIMITED
JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant expiry date	Current Market Prices Wrnt BID (%)	Wrnt OFFER (%)	Share Price (Yen)	Offer Calculations Premium (%)	Gearing	Premium/ Gearing Ratio
AICA KOGYO 17/8/90	19.50	21.00	718	26.80	4.51	5.72
CASIO COMPUTERS 6/3/89	36.00	37.50	1,700	2.07	3.49	0.59
C ITOH 4/5/89	31.50	33.00	431	6.84	3.58	1.91
C ITOH 20/1/87	49.00	54.00	431	25.02	2.18	11.48
DOWA MINING 20/7/90	10.50	12.00	656	31.22	7.01	4.46
FUJIKURA CABLE 28/4/89	8.50	10.00	333	28.78	7.96	3.61
HAZAMA GUMI 1/11/89	10.50	12.00	384	36.88	6.91	5.34
J S R 28/4/89	8.50	10.00	358	37.40	7.48	5.00
JUSCO 22/12/88	80.00	84.00	859	23.14	1.77	13.10
KAYABA INDS 15/2/89	18.00	20.50	365	1.30	5.64	0.23
KUMORI PRINTING 20/12/89	20.00	21.50	2,200	35.25	4.24	8.32
MARUZEN 12/2/90	8.50	10.00	466	40.29	8.34	4.83
MINEBEA 20/2/89	50.00	55.00	790	51.30	1.82	28.20
MIT. CHEMICAL 20/1/87	94.00	98.00	475	38.42	1.40	27.38
MIT. CORPORATION 7/11/88	27.00	28.50	620	4.44	4.20	1.06
MIT. GAS & CHEM 20/3/89	31.50	33.00	428	3.43	3.67	0.94
MITSUI E/S 15/10/88	11.00	12.50	163	16.50	7.44	2.22
MITSUI E/S 10/12/87	25.50	27.50	163	12.66	4.22	3.00
MIT. METAL 10/2/89	76.00	80.00	867	30.15	1.69	17.82
MIT. METAL 10/11/89	13.00	14.50	657	22.13	6.42	3.45
MITSUI PETRO. 15/2/90	26.00	27.50	416	14.76	4.27	3.45
NIPPON MINING 17/3/89	96.00	100.00	[illegible]	[illegible]	1.21	[illegible]
NIPPON MINING 15/6/90	10.50	12.00	376	41.66	6.76	6.17
NISSHO IWAI 1/2/89	11.00	12.50	271	16.73	7.46	2.24
NOMURA SECS 31/10/88	71.00	72.50	1,190	5.38	2.20	2.45
OHBAYASHI GUMI 5/4/89	70.00	75.00	495	1.67	2.19	0.76
OMRON TATEISHI 31/3/89	8.50	10.00	1,470	71.68	5.94	12.07
ONODA CEMENT 28/2/90	15.50	17.00	332	23.20	5.82	3.82
OPTEC DAI-ICHI 23/2/90	16.50	18.00	630	22.25	5.68	3.92
OSAKA TRANSF. 29/1/90	15.50	17.00	499	21.88	6.86	3.75
RENOWN 24/1/89	14.00	15.50	750	20.76	5.97	3.48
RYOBI LTD 26/5/90	13.00	14.50	395	20.19	6.73	3.00
SEINO TRANS. 17/3/89	12.00	13.50	1,160	12.82	6.87	1.87
SEIYU STORES 20/3/87	57.00	60.00	720	42.32	1.82	23.25
SONY CORP. 26/4/90	17.00	18.50	3,790	38.74	4.80	8.07
SUMI CONSTRUCTION 24/3/89	58.00	63.00	317	2.73	2.41	1.13
SUMI HEAVY 24/2/89	25.50	27.00	274	3.31	4.41	0.75
SUMI REALTY 21/11/89	76.50	78.00	804	2.15	2.25	0.96
TOKYO ELECTRIC 14/3/89	7.50	9.00	1,000	53.06	7.82	6.98
TOKYO SANYO 8/6/87	151.00	156.00	648	73.08	0.96	77.07
TOKYU CORP 29/1/90	66.00	67.50	639	−0.58	2.67	−0.23
TOKYU DEPT STORES 20/7/90	20.00	21.50	540	12.92	5.11	2.53
TORAY INDS 5/3/87	25.00	26.50	524	9.52	4.22	2.26
TOYO ENG 28/2/89	53.00	57.00	695	54.41	1.74	31.27
YAMAMURA GLASS 8/5/90	12.00	13.50	452	28.05	6.70	4.19
YAMATO KOGYO 29/1/90	15.00	16.50	590	21.42	6.06	3.54

Reuters Monitor DABF/G/H/I/J — Further information from: Freddy Glock, Beverly Kelly or Edward Cartwright on 01-248 8080 Daiwa Europe Limited, 14 St Paul's Churchyard, London EC4M 8BD

Adsteam boosts dividend after 44% profits gain

BY MICHAEL THOMPSON-NOEL IN SYDNEY

ADELAIDE STEAMSHIP Company (Adsteam), the Australian investment house headed by Mr John Spalvins, saw a 44.6 per cent gain in net profits for the year to June to reach A$60.1m (US$42.1m).

As a result, it has boosted its annual dividend from 25 cents to 30 cents a share with a final payment of 16 cents a share.

After-tax operating profits, including dividends from associated companies, rose from A$31.8m to A$41.9m although interest payments were sharply higher at A$21.6m against A$16.1m previously. Turnover grew from A$392.7m to A$244.4m.

Adsteam, known for its acquisitive nature, has been comparatively quiet of late. Mr Spalvins said that the year's most notable investment was in Broken Hill Proprietary, the big Australian resource company, and that the 1984-85 profit did not reflect substantial unrealised gains stemming from that and other holdings.

HICB plans rights issue and capital reconstruction

BY DAVID DODWELL IN HONG KONG

THE HONG KONG Industrial and Commercial Bank (HICB), in which the colonial government took a controlling stake three months ago following the collapse and subsequent rescue of its parent, the Overseas Trust Bank (OTB), has proposed a HK$400m (US$51.2m) rights issue and capital reconstruction.

The announcement came with news of substantial losses at HICB in the year to June 7. The issue is intended to dilute these losses, enable the bank to meet minimum capital requirements, and pave its path back to profitability.

A special audit of HICB carried out by accountants Peat Marwick Mitchell after the Hong Kong Government acquired OTB's 63.5 per cent stake in the bank has revealed consolidated losses up to June, after tax and minorities, of HK$340.4m. As a result, group liabilities exceed tangible assets by HK$96.8m.

HICB's losses are largely due to provisions made against bad and doubtful debts. Mr Douglas Blye, Hong Kong's Secretary for Monetary Affairs and the recently appointed chairman of HICB, yesterday refused to disclose the size of these debts

He nevertheless said the pattern of debt was similar to that of OTB.

The rights issue will take the form of an offer of 408m 10 per cent non-cummulative redeemable preference shares at a par issue price of HK$1. Shareholders will be offered four preference shares for each share already owned. OTB is to take up its entitlement and has underwritten the balance at no cost to HICB.

France's big three sharpen up investment banking interests

BY DAVID MARSH IN PARIS

THE BIG three French commercial banks in state ownership since 1945, regularly criticised in France for excessive prudence, are moving to shed their cart horse image. Slowly but surely, they are building up activities in the more dynamic world of investment banking.

Banque Nationale de Paris, Crédit Lyonnaise and Societe Generale are putting greater *emphasis on risk capital, with* which they take direct equity stakes in small companies. The banks are taking a more active line in providing advisory services to help managers steer their businesses. They are stepping up mergers and acquisitions activity. And they are participating with gusto in the rush to bring small and medium sized companies to the unlisted section of the Paris and regional stock markets, the *second marché*.

"One of the weaknesses of French companies is their low level of capital compared with debt," says M Etienne Bouruet-Aubertot, director of financial affairs at Crédit Lyonnais. "Previously, this has been masked by inflation. Now it's becoming evident." During a time of disinflation and industrial restructuring, he says, banks are being forced, out of self-interest, to help companies strengthen capital resources. "If we just keep lending money (to companies) without worrying about their capital structure as well, the risk is greater that we will not see our credits repaid."

"Banks have to change with events," says M Yves Amiot, in charge of corporate banking at Société Générale. "The 30 glorious years (of post war expansion) have given way to a different landscape . . . We now need to be multi-service—to find an investment banking function to add to our commercial banking activities."

BNP has longest direct experience in investment banking through its merchant banking arm Banexi, created in 1970, which M Rene Thomas, the chairman, has promised to continue building up. Banexi, with a capital of FFr 270m ($30.3m) and industrial shareholdings of FFr 535m at end-1984 (of which 20 per cent is represented by its 20 per cent stake in Lesieur, the edible oil group, is adding to its portfolio *by about FFr 130m this year,* although this is offset by disinvestments.

Flows of additional investments of FFr 440m have been balanced by disinvestments (including realised capital gains) of FFr 420m during the three years up to 1984—"not a bad turnover," according to M Jean Peyrusse, Banexi's chairman. Banexi's industrial participations portfolio ranges across companies in agri-food, distribution, electronics, equipment and tourist sectors. It includes about FFr 70m in "high technology" concerns which Banexi counts as its main venture capital investments.

Crédit Lyonnais followed in BNP's footsteps in April 1984 by setting up a holding company, Lion Expansion Petites et Moyennes Entreprises which has taken about 40 stakes in small and medium companies. It has also set up, in line with several other French banks, a mutual fund geared to risk capital investments, which has about 10 investments. Each scheme is backed by capital of FFr 20m.

Société Générale, for its part, *plans to set up its own investment* banking arm, with a capital of about FFr 100m, by around the end of the year. M Jacques Mayoux, Société Générale chairman, has indicated that the new company could eventually open its capital to outside shareholders and be quoted on the bourse.

Société Générale was the main institution behind France's first venture capital company, Soginnove, in 1973. This has just raised its capital from an initial FFr 60m to FFr 120m, of which about half is invested in 85 companies. M Mayoux wants the new banking arm to complement another company, Projis, set up in February 1985 to take stakes in companies with turnover between FFr 10m and FFr 100m. The idea is that the new *organisation* will take stakes in larger companies forming what M Mayoux likes to call "a chain of capital" which he hopes will also be tied in with Société Générale's international operations.

As a further link in the welter of initiatives, all three banks are investing in the $60m U.S. venture capital fund announced earlier this year by the Compagnie Generale d'Electricite group. In the French part of the fund—U.S. partners are contributing an additional $100m — Credit Lyonnais has taken the largest *banking stake with $10m.*

Closer to home, the three banks have been plunging into competition to bring new companies to the *second marché*. Credit Lyonnais nudged slightly ahead of the other two in the league table of banks lead-managing introductions made up to June 30 this year (see table).

Conditions on the *second marché* have been hectic, with highly speculative bidding for shares of high-performance groups. Many seasoned Paris bankers believe that the market could be due for a price correction, especially if the main stock market starts to tend downward, after its heady performance of the last two years. Already there are signs that political uncertainty ahead of general elections next March is starting to unsettle investors.

On the fundamental question of whether the increased supply of capital for the small and medium business sector has generally boosted entrepreneurial activity, French bankers believe they can detect *the glimmerings of change.*

M Bouruet-Aubertot believes there has been something of a "*rapprochement*" between companies and banks, which are increasingly "playing the same game." Credit Lyonnais has had a capital stake in Bouygues, France's biggest construction group, and the Club Mediterranée holiday concern for a number of years and has assisted both companies' growth. It is trying to ensure that its managers at branches around the country are alive to the opportunities of taking stakes in small concerns.

Compared with U.S. or UK development capital schemes, the average equity stake taken by French banks and institutions in even the most promising small businesses is relatively modest.

Jacques Mayoux: Hoping for a "chain of capital"

The overall amounts made available however are greatly increased through syndications with other banks and financial organisations. And there are signs that the banks are becoming more adventurous. Credit Lyonnais, for instance, talks of average stakes of between FFr 2m and FFr 5m for its risk capital ventures, and the new Société Générale investment bank may be looking for shareholdings of up to FFr 10m.

As a sign of increased interest by entrepreneurs in bringing ideas to the banks, Banexi has studied about 150 dossiers this year, on which it has made 15 investment decisions.

The French banks' famed caution will not, however, be swept away overnight. "We have to fill the investment banking gap," says M Amiot of Société Générale. "But we will be doing it with prudence, not a flaming torch."

TOP BANKS LEAD-MANAGING INTRODUCTIONS TO SECOND MARCHÉ

February 1982 to June 1985: total 70 introductions

Credit Lyonnais	10
Societe Generale	9
Banque Nationale de Paris	8
Banque Indosuez	6
Credit Commercial de France	6
Societe Lyonnaise de Banque	5
Lazard Freres et Cie	5
Credit Industriel et Commercial de Paris—CIC Paris	4

Copies of this document, which comprises listing particulars relating to The National Home Loans Corporation plc ("the Company") required by The Stock Exchange (Listing) Regulations 1984, have been delivered to the Registrar of Companies for registration in accordance with those Regulations. Application has been made to the Council of The Stock Exchange for the Ordinary Shares and the 8 per cent. Convertible Unsecured Loan Stock 2005 of the Company, issued and to be issued, to be admitted to the Official List.

The Directors of the Company, whose names are set out below, and Cipfa Services Limited are the persons responsible for the information contained in this document. To the best of the knowledge and belief of the Directors and Cipfa Services Limited (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors and Cipfa Services Limited accept responsibility accordingly.

The application list for the Units comprising Ordinary Shares and the Loan Stock now offered for subscription will open at 10.00 a.m. on Tuesday, 17 September, 1985 and may be closed at any time thereafter. The Procedure for Application and an Application Form are set out at the end of this document.

THE NATIONAL HOME LOANS CORPORATION plc

(Registered in England under the Companies Acts 1948 to 1981 Registered Number 1917566)

OFFER FOR SUBSCRIPTION

of 50,000,000 partly paid Ordinary Shares of 75p each and £50,000,000 of partly paid 8 per cent. Convertible Unsecured Loan Stock 2005

in

Units comprising 100 Ordinary Shares and £100 nominal of Loan Stock at a price per Unit of £200, payable as to £100 on application

(to satisfy *in part* an issue price of 100p per Ordinary Share, leaving 50p nominal value per Ordinary Share subject to call, and an issue price of £100 per £100 nominal of Loan Stock, leaving £50 per cent. subject to call)

The Directors are aware of intended applications for all the Units being offered for subscription. Such applications, if received, will be accepted in respect of not less than 37,500,000 Ordinary Shares and £37,500,000 nominal of Loan Stock, constituting 75 per cent. of the Units being offered for subscription. Consequently applications from the public are likely to be accepted only in respect of 12,500,000 Ordinary Shares and £12,500,000 nominal of Loan Stock, constituting 25 per cent. of the Units being offered for subscription.

Underwritten by

HongkongBank Limited

Brokers to the Offer

James Capel & Co.

Directors and Advisers

Directors	*John Oliver Robertson Darby *(Chairman)* Richard Edward Lacy *(Chief Executive)* Kevin Joseph Milner *(Finance Director)* *Michael James Burns *Alan Thomas Gregory, CBE *David Dennis Martin-Jenkins *Sir Anthony Keith Rawlinson, KCB *Maurice Frank Stonefrost, CBE **Non-executive* all of Hill House, 1 Little New Street, London EC4A 3TR
Secretary and Registered Office	Kevin Joseph Milner, Hill House, 1 Little New Street, London EC4A 3TR
Financial Advisers and Underwriters to the Offer	HongkongBank Limited, Wardley House, 7 Devonshire Square, London EC2M 4HN
Stockbrokers	James Capel & Co., Winchester House, 100 Old Broad Street, London EC2N 1BQ and The Stock Exchange
Advisers to the Company on public sector matters	Cipfa Services Limited, 3 Robert Street, London WC2N 6BH
Auditors and Reporting Accountants	Touche Ross & Co., *Chartered Accountants*, Hill House, 1 Little New Street, London EC4A 3TR
Solicitors to the Company	Freshfields, Grindall House, 25 Newgate Street, London EC1A 7LH
Solicitors to the Underwriters	Norton, Rose, Botterell & Roche, Kempson House, Camomile Street, London EC3A 7AN
Principal Bankers	HongkongBank Limited, Wardley House, 7 Devonshire Square, London EC2M 4HN
Receiving Bankers	Midland Bank plc, Stock Exchange Services Department, Mariner House, Pepys Street, London EC3N 4DA
Registrars and Transfer Office	Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Trustees for the Loan Stock	Eagle Star Trust Company Limited, 1 Threadneedle Street, London EC2R 8BE
Solicitors to the Trustees	Simmons & Simmons, 14 Dominion Street, London EC2M 2RJ

Share Capital

Authorised

£187,500,000 in 250,000,000 Ordinary Shares of 75p each

Issued and now being issued	Paid up as to: Nominal value	Premium	Total
£37,550,000 in 50,066,667 partly paid Ordinary Shares of 75p each	£12,516,666	£12,516,667	£25,033,333

The Ordinary Shares now being offered for subscription will rank in full for all dividends and other distributions hereafter declared, made or paid on the Ordinary Shares of the Company.

Loan Capital

£50,000,000 8 per cent. Convertible Unsecured Loan Stock 2005, to be issued £50 per cent. paid. Interest on the amount paid up will be paid semi-annually in arrears on 1 April and 30 September in each year, the first payment to be made on 1 April, 1986. Particulars of the Loan Stock are set out in Part II of this document.

Partly Paid Ordinary Shares and Loan Stock

All of the Ordinary Shares now being offered for subscription are being issued paid up as to 25p nominal value and 25p share premium, and the Loan Stock as to £50 per £100 nominal. The Company is issuing partly paid securities because it will make investments over a period of time and therefore the full issue proceeds will not be required immediately. The balance of the issue price of the Ordinary Shares and the Loan Stock will be called up on a single date between 1 January, 1986 and 30 September, 1986 to be determined by the Directors.

A call once made represents a debt due to the Company. Shareholders and Loan Stock holders will be given not less than 28 days' written notice of the call. Failure to pay the call on an Ordinary Share renders the share liable to forfeiture and a person whose shares have been forfeited remains liable for all moneys payable in respect thereof at the date of forfeiture. Failure to pay the call on the Loan Stock renders the Loan Stock liable to forfeiture, and the stockholder will have no rights to interest or rights of conversion in respect of the Loan Stock.

The lodging for registration of any renounceable letter of allotment in respect of the Ordinary Shares or the Loan Stock will constitute an undertaking in favour of the Company by the person requesting registration that such person will pay any or all calls made on such Ordinary Shares or Loan Stock, in accordance with the terms of, in the case of Ordinary Shares, the Memorandum and Articles of Association of the Company, and, in the case of Loan Stock, the Trust Deed constituting the Loan Stock.

Further information regarding calls on Ordinary Shares, forfeiture and other matters (including the right to dividends, the right to vote, rights in a winding up and transfers of partly paid Ordinary Shares) is set out in paragraph 2 of Part III. Further information regarding calls on Loan Stock and the consequence of failure to pay a call is set out in paragraph 1 of Part II.

Indebtedness

Save for the Loan Stock, the Company did not at the close of business on 10 September, 1985 have any loan capital (whether outstanding or created but unissued), term loans (whether or not guaranteed or secured), or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees or other contingent liabilities.

Definitions

In this document, save as the context otherwise requires, the expressions mentioned below have the following meanings:—

"the Company"	The National Home Loans Corporation plc
"Directors"	the directors of the Company
"Ordinary Shares"	Ordinary Shares of 75p each in the Company
"Loan Stock"	8 per cent. Convertible Unsecured Loan Stock 2005 of the Company
"HongkongBank"	HongkongBank Limited
"Housing Act"	the Housing Act 1980 (as amended)
"Cipfa Services"	Cipfa Services Limited, a company wholly owned by the Chartered Institute of Public Finance and Accountancy
"billion"	one thousand million

Part I

Introduction

The residential mortgage market in the United Kingdom is currently valued at approximately £100 billion and has doubled in size over the past four years.

The Company has been formed to invest directly in mortgage loans secured on residential property in the United Kingdom.

Initially the Company's portfolio will be established by taking over certain mortgage lending activities of local authorities and financial institutions.

As its secured asset base grows, the Company intends to borrow significant funds in order to develop its portfolio of mortgage loans and to take advantage of the interest rate differential between borrowing and lending. The Company expects to administer its portfolio on an efficient, low cost basis.

The Company intends to offer shareholders a steadily growing dividend income while retaining and reinvesting a substantial proportion of its annual profits.

Investment Policy

The Company intends that its mortgage loans should be secured on residential properties spread throughout the United Kingdom. The Company will initially establish a portfolio by taking over certain mortgage lending activities of selected local authorities and financial institutions, such as insurance companies, banks and pension funds.

An existing mortgage loan portfolio can be acquired either by assignment of the lender's interests or by arrangements whereby the lender is repaid and new mortgage loans are made to the borrowers which give the new lender, in effect, the same rights as the existing lender. Acquisitions from financial institutions will generally be by way of assignment. In the case of local authorities, the Company will in most cases take over an existing mortgage loan portfolio by advancing replacement mortgage loans with the consent of the borrower.

Mortgage loans at floating rates will usually be acquired at full value. Should the Company acquire mortgage loans at fixed rates, it will be on the basis of an appropriate yield to redemption. The Company expects the first mortgage loan investments to be made by the end of November 1985.

The Company will also invest funds in providing mortgage loans to borrowers referred to it by existing lenders, and to other borrowers. During the next three years, however, the Directors' policy is that loans to borrowers applying direct to the Company should not constitute more than 10 per cent. of the mortgage loans which the Company has advanced over that period, and that not more than 20 per cent. of mortgage loans in any one financial year should be to such borrowers.

Investment in mortgage loans will be made after applying appropriate lending criteria determined from time to time by the Directors, and will be made on commercial terms. The amount to be lent to any one borrower or invested in any one mortgage loan will not represent a significant proportion of the Company's assets.

Pending investment in mortgage loans, the net proceeds of the Offer for Subscription of approximately £45.7 million (the balance of the aggregate subscription price of £50 million being subject to call) and any other funds will be retained in sterling and will be invested for the benefit of the Company in appropriate government stock, money market instruments and bank deposits.

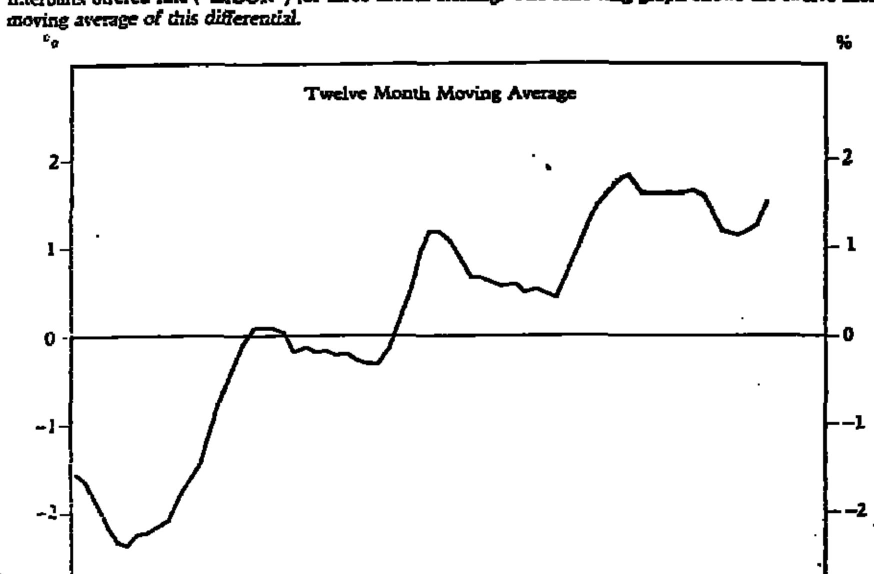
The Company will not alter its investment policy, as set out in this document, for a period of at least three years.

THE NATIONAL HOME LOANS CORPORATION plc

Funding

The Company intends to raise wholesale funds, typically at variable rates of interest, once it has established its initial mortgage loan portfolio. It is expected that the size of the Company's capital together with its secured asset base will enable it to borrow at competitive rates. The differential between the interest received by the Company on its growing mortgage loan portfolio and its cost of funds will provide the basis for the Company's long term performance.

The trend over the past five years has been towards an increasingly positive interest rate differential between The Building Societies Association's recommended or advised rates of interest on mortgages and the London interbank offered rate ("LIBOR") for three month sterling. The following graph shows the twelve month moving average of this differential.



Compiled from information provided by FT databank at CISi-Wharton and from the BSA Bulletin in July 1985.

While mortgage interest rates and sterling LIBOR are expressed as annual rates, interest payments to building societies are made monthly and interest on LIBOR related loans is paid quarterly. This difference is reflected in this graph.

During the period covered by the graph, there have been significant changes in the general financial environment. These changes have affected the financing of the residential mortgage market.

In the 1970s, the building societies did not face strong competition in attracting retail funds to meet the demand for mortgages. The relatively low cost of building society deposits, coupled with the societies' ability to operate on a finer margin between borrowing and lending rates than other financial institutions, were factors enabling them to set lending rates out of line with money market rates. This contributed to mortgage queues varying significantly from time to time.

The supplementary special deposits scheme, which had restricted the growth of domestic credit, was lifted in June 1980. Thereafter competition for retail funds increased, at a time when the Government also increased its borrowings from the personal sector. This led to a proliferation of savings products offering higher rates of interest to depositors. The effective subsidisation of building society mortgagors by depositors was thereby eroded.

In 1983 legislative changes enabled the building societies to borrow competitively in the money markets for the first time. The level of such borrowings is subject to guidance by the Chief Registrar of Friendly Societies. More recently, the building societies have lost certain tax advantages on investment in gilt-edged securities which, at times, helped to cushion the effect of narrow operating margins.

As a result of all these factors, borrowers and depositors are now being offered interest rates more closely linked to money market rates.

The above graph shows that the average differential between building society rates for mortgages and three month sterling LIBOR has widened. This is further illustrated by the average figures for the past six, four and two years which show a positive rate differential of 0.18 per cent., 0.84 per cent. and 1.51 per cent. respectively.

The Directors believe that, because of the structural changes that have taken place, recent experience is likely to be a better guide to future interest rate differentials than that of the early years of this decade.

The following table illustrates on an annual basis the effect of a positive interest rate differential of 1 per cent. at various levels of gearing and assumes a mortgage lending rate of 12.75 per cent. The mortgage portfolio values shown are entirely hypothetical and, in addition, the figures used in the table have been assumed to remain constant throughout the year. **The following table will not reflect the Company's actual performance and should not be regarded as a forecast.**

		£m		£m		£m
Mortgage portfolio value		100		250		550
Ordinary Shares		50		50		50
Loan Stock		50		50		50
Borrowings*		—		150		450
		100		250		550
Mortgage interest receivable		13		32		70
Deduct interest payable:						
Loan Stock	4		4		4	
Borrowings	—		17.5		52.5	
		4		21.5		56.5
Amount available for expenses, taxation, dividends and retained profit		9		10.5		13.5

**The Company's Articles of Association and the terms of the Loan Stock Trust Deed allow maximum borrowings of 10 times the adjusted total of the share capital and reserves (as set out in paragraph 6 of Part II and paragraph 2 of Part III of this document). The Company may, subject to its rate of growth, request Ordinary Shareholders and Loan Stockholders to approve an increase in this borrowing limit, which would require the appropriate votes at separate meetings of the Ordinary Shareholders and Loan Stockholders.*

Management Expenses

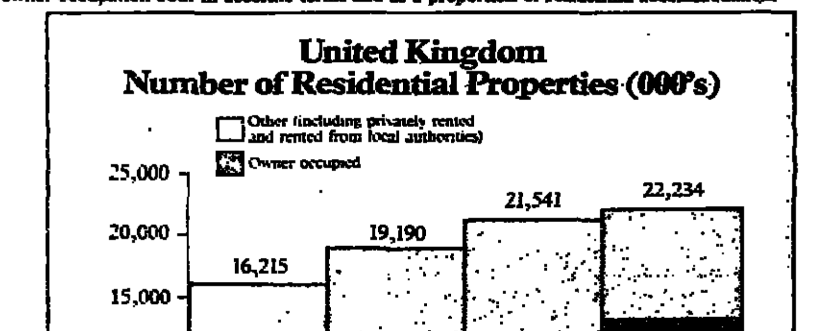
Progress reports published in The Building Societies' Gazette (February, March and April 1985 editions) show that management expenses incurred by building societies each with mortgage loan portfolios in excess of £100 million were, with two exceptions between 0.71 and 1.68 per cent. of mean total assets for their last complete financial years. The exceptions were in respect of long established building societies with mortgage loan portfolios of £149 million and £516 million respectively and which do not maintain networks of retail branches; in these cases the corresponding figures were 0.46 per cent. and 0.39 per cent. respectively for 1984.

The ratio of the Company's administrative costs to its mean total assets will depend on the size and composition of its portfolio and the speed at which it is built up. However, the Company's intended method of funding through the wholesale financial markets will avoid the costs traditionally associated with the maintenance of a retail deposit taking network located in high street sites and the other costs associated with taking retail deposits such as advertising and commission to branch agents. Although in its first year of operations the Company's administrative costs are likely to exceed the 1.68 per cent. of mean total assets referred to above, the Directors will exert close control over the growth of the Company's administrative costs in relation to the growth of its portfolio. The Directors therefore expect that the ratio of administrative costs to mean total assets will fall steadily after the first year's operations. The Directors believe that, by the end of its third year of operation, the Company's administrative costs ratio should be comparable to those achieved by the building societies without branch networks referred to above.

The Home Loans Market

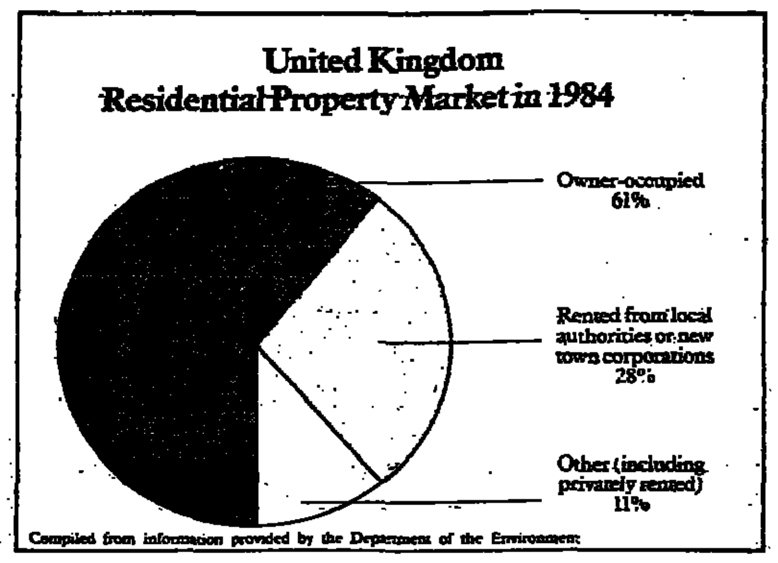
Home ownership in the United Kingdom has increased significantly since 1960. Owner occupation has been encouraged by the decline in the availability of privately rented accommodation and by the personal tax advantages afforded to owner occupiers, being tax relief on qualifying mortgage loan interest payments and exemption from tax on capital gains arising on sale of the property. The following charts illustrate the growth in owner occupation both in absolute terms and as a proportion of residential accommodation.

United Kingdom Number of Residential Properties (000's)



Compiled from information provided by the Department of the Environment

United Kingdom Residential Property Market in 1984



Compiled from information provided by the Department of the Environment

The following table shows the breakdown of mortgage loans outstanding in the United Kingdom:

Annual Balances of Mortgage Loans Outstanding

	1960 £m	1970 £m	1980 £m	1984 £m
Building societies	2,666	8,810	42,708	82,385
Local authorities	391	1,037	3,650	3,988
Insurance companies and pension funds	585	1,166	2,113	2,539
Monetary sector (including banks)	382	557	3,111	16,589
Other public sector	16	87	793	1,458
Total	4,040	11,657	52,375	106,959

Compiled from information provided by the Central Statistical Office.

Local Authorities and Home Ownership

Many local authorities have for some time provided a limited amount of mortgage loan finance to owner occupiers in their areas. More recently the Housing Act has given significant encouragement to council house tenants to become home owners and as a result there has been a reduction in the number of residential properties rented by local authorities and new town corporations from some 6.7 million in 1980 to some 6.2 million in 1984. Since August 1980, such tenants of at least three years standing (two years standing since August 1984) have had the right to buy their homes, and the Housing Act requires housing authorities to allow them, subject to certain income and age criteria, to leave some or all of the purchase price outstanding on mortgage. The purchase price payable by the tenant is calculated by reference to the open market value of the property (assuming vacant possession) less a discount. The amount of the discount depends upon the duration of the purchaser's occupation of public sector housing and is not normally less than 32 per cent., although the purchase price cannot be less than the actual cost of the property, including land, to the local authority. Under the Housing Act, the rate of interest on mortgage loans provided by housing authorities is the higher of the relevant local authority's average cost of borrowing plus ¼ of one per cent, and the standard national rate (a variable rate of interest set by the Secretary of State for the Environment taking into account interest rates charged by building societies in the United Kingdom).

Figures provided by the Department of the Environment show the average discount to the market value of residential properties sold by local authorities in England since 1981 to be 42 per cent. However, on a sale of such a property within five years of purchase, the owner is liable to repay a proportion of this discount which is a charge on the property ranking ahead of the interests of all but lenders specified by the Housing Act. The Company has applied to the Secretary of State for the Environment to be included in this category of lenders and has been informed that its name is to be added to the necessary statutory instrument to be *laid before Parliament in time to permit the Company to meet its objectives.*

Owing to stricter government controls on capital spending, local authorities have encouraged potential purchasers under the Housing Act as well as existing mortgagors to borrow from other sources, and as a result building societies and banks have worked with local authorities to provide mortgage finance. Since 1980 local authorities have continued to finance some purchases under the Housing Act and the total mortgage debt, net of repayments, owed to local authorities at 31 December, 1984 was approximately £4 billion.

Initial Operations

The Company has appointed Cipfa Services to advise it in relation to its dealings with public authorities and in establishing the public sector portion of its initial mortgage loan portfolio. Cipfa Services, which provides consultancy and capital finance advice to the public sector, has been appointed for three years and will be remunerated on a commission basis: the terms of this appointment are summarised in paragraph 6 of Part III. Cipfa Services is wholly owned by the Chartered Institute of Public Finance and Accountancy which is one of *six major professional accounting bodies in the United Kingdom. It is the major professional body* providing financial and accounting training designed specifically for the needs of the public sector.

Cipfa Services has approached a cross-section of housing authorities and discussed with them the Company's proposals. Senior finance officers of 25 of these authorities with existing portfolios totalling in excess of £200 million have already confirmed their interest in working with the Company.

The following factors encourage local authorities to consider the proposals of the Company:

- —by divesting themselves of their residential mortgages, capital receipts are created which under current regulations can, over time, be used by local authorities for new asset creation;
- —the Company's intention to charge mortgagors qualifying under the Housing Act a rate of interest approximately ¼ of one per cent. below that payable by borrowers under the Housing Act;
- —the Company's willingness to grant an option to the local authority to buy back, prior to foreclosure, any mortgage in default, which may assist local authorities in discharging their statutory obligations to homeless families;
- —the willingness of the Company to take over the administration of any residual mortgage portfolio; and
- —the recent requirement that local authority mortgagors consent to any transfer of their loans, which has made it more difficult for local authorities to create capital receipts by entering into arrangements for the sale and repurchase of their mortgage loan portfolios *en bloc.*

Existing borrowers from local authorities under the Housing Act will be encouraged to remortgage with the Company by being offered a rate of interest on their mortgage loans marginally below that which would otherwise have been payable.

The Directors anticipate that portfolios of mortgages will also become available from financial institutions, especially insurance companies which have increased their mortgage lending in order to sell endowment policies. Preliminary discussions have taken place with some financial institutions which have recognised the illiquidity of their mortgage investments and have indicated that they would be willing to consider the disposal of their mortgage portfolios to the Company on appropriate terms.

The Directors expect that, as a result of the publicity associated with its mortgage investment activities, the Company will be approached directly by applicants from the general public to advance new mortgage loans. The Company will restrict this category of business to the extent described in Investment Policy above.

There can be no certainty that the Company's initial mortgage terms will prove to be more attractive to mortgagors than those of its competitors, or that its proposals will be agreeable to local authorities and financial institutions. However, the Company intends to acquire portfolios and to offer its mortgage loans on competitive terms and the Directors are confident, particularly in view of the discussions referred to above, that the Company's proposed operations will appeal to local authorities and financial institutions, that there will be substantial demand for its mortgage loans and that the investment objectives of the Company will be achieved.

Directors, Management and Administration

Directors

The Directors, who will be responsible for the management and investment policy of the Company, are as follows—

John Derby, aged 55, the non-executive Chairman, has been a partner in Arthur Young, Chartered Accountants, since 1959. He has been the Chairman of Arthur Young since 1975 and is a Fellow of the Institute of Chartered Accountants.

Richard Lacy, aged 42, the Chief Executive, was until recently Director and Chief General Manager of the Birmingham and Bridgwater Building Society. For four years prior to that he was General Manager, Operations and Marketing, of the Leicester Building Society where he was responsible for the introduction of the Leicestercard. Previously he spent four years at The Gulf Bank, Kuwait where he was responsible for marketing and business development.

Kevin Milner, aged 42, the Finance Director, was until recently employed by Grand Metropolitan group, latterly as finance director of its retail division. From 1976 to 1981 he was employed by Avis Inc. in various financial posts. He is an Associate of the Chartered Institute of Secretaries and Administrators and an Associate of the Institute of Bankers.

Michael Burns, aged 60, (non-executive) is a Director and General Manager of Equity & Law Life Assurance Society plc. He is a Fellow of the Institute of Actuaries.

Alan Gregory, aged 59, (non-executive) who retires from The British Petroleum Company plc in October 1985 was, until 1 September, 1985, Chairman of BP Oil Limited, BP's refining and marketing subsidiary in the United Kingdom, and Regional Director for the United Kingdom and Ireland. He was President of The Institute of Petroleum (1982-84).

David Martin-Jenkins, aged 44, (non-executive) is Chairman of Primesight Limited, and a consultant with PA Developments. He was from 1974 to 1982 group finance director of Ellerman Lines PLC and from 1978 to 1982 Chairman of the Investment Committee of the Merchant Navy Officers' Pension Fund. He is a Fellow of the Institute of Chartered Accountants and a Fellow of the Association of Corporate Treasurers.

Sir Anthony Rawlinson, aged 59, (non-executive), was Joint Permanent Secretary of the Department of Trade and Industry between 1983 and 1985 and has held appointments as Second Permanent Secretary of the Treasury (1977-83) and as an Executive Director of the International Monetary Fund and World Bank (1972-75). He was appointed Chairman of the Gaming Board for Great Britain in 1985.

Maurice Stonefrost, aged 58, (non-executive) is the Director General and Clerk of the Greater London Council. Between 1973 and 1984 he was Comptroller of Financial Services of the Greater London Council. He was President of the Chartered Institute of Public Finance and Accountancy (1984-85) and of the Society of County Treasurers (1982-83).

Management and Administration

The day-to-day management of the Company will be directed by Mr. Lacy and Mr. Milner. The Directors are confident that support staff of appropriate calibre and experience, including experience in computing and mortgage administration, will be available and can be recruited. It is expected that by the end of the Company's first full year of operation between 50 and 75 staff (mostly mortgage administrators) will be employed.

The Company has arranged to acquire, at a cost of approximately £200,000, a permanent computer based accounting and administrative system with the proven capability of servicing a large volume of mortgage loans. It is expected that this system will be operational by the end of November 1985. The Company has identified suitable accommodation for its head office of approximately 10,000 square feet close to Birmingham.

It is anticipated that the Company may benefit from some additional income arising from commission paid by insurance companies on policies supporting mortgage loans and any fee income from administering the residual mortgage loan portfolios of some local authorities.

The Company has applied to the Inland Revenue for approval as a qualifying lender under the provisions of Schedule 7 of the Finance Act 1982 dealing with Mortgage Interest Relief at Source ("MIRAS"), and has been informed that its name is to be added to the necessary statutory instrument to be laid before Parliament in time to permit the Company to meet its objectives.

Employee Benefits

The Company has adopted a Senior Executive Share Option Scheme under which options to subscribe for Ordinary Shares may be granted to senior employees and executive Directors which, the Directors believe, will assist the Company in attracting and retaining high quality personnel. A summary of the terms of the scheme, which are subject to any amendment necessary to obtain Inland Revenue approval, is set out in paragraph 5 of Part III of this document. The Directors have not yet granted any options under the scheme, although the Company has agreed that, during the first year of operation of the scheme, Mr. Lacy and Mr. Milner shall be granted options to acquire Ordinary Shares having an aggregate subscription price payable on exercise of such options of £50,000 and £30,000 respectively.

The Directors do not intend to make mortgage loans available to Directors or employees at a subsidised rate of interest.

Dividend Policy and Accounts

The Directors intend to follow a progressive dividend policy. Provided that it is consistent with this policy, the Directors would normally expect that up to 60 per cent. of distributable profits will be paid to shareholders by way of dividend. Retained profits will be reinvested in further mortgage loans and will be included in the adjusted share capital and reserves of the Company for the purposes of its borrowing limits.

The first financial statements of the Company will be made up to 30 September, 1986, and thereafter annually up to 30 September. The Company expects to present its first interim report in July 1986, to pay an interim dividend in August 1986 and its first final dividend in February 1987. Subsequent dividends are expected to be paid at approximately the same times in each year thereafter.

The distribution as dividends of surpluses arising from the realisation of investments is prohibited by the Company's Articles of Association.

Accountants' Report

The following is the text of a report received by the Directors from Touche Ross & Co., Chartered Accountants, the Auditors to the Company and Reporting Accountants:—

11 September, 1985

The Directors,
The National Home Loans Corporation plc

Dear Sirs,

The Company was incorporated on 29 May, 1985 under the name of Jordans 274 Public Limited Company. The name of the Company was changed on 25 June, 1985 to The Home Loans Corporation plc and on 29 August, 1985 to The National Home Loans Corporation plc.

The Company has not traded and has not made up any accounts. The Company has neither paid any dividends nor made any distributions since incorporation.

Yours faithfully,
Touche Ross & Co.,
Chartered Accountants

Part II

Particulars of the Loan Stock

The 8 per cent. Convertible Unsecured Loan Stock 2005 of the Company (the "Stock") was created by a resolution of the Board of Directors of the Company passed on 10 September, 1985 and is constituted as an unsecured obligation of the Company by a Trust Deed (the "Trust Deed") between the Company and Eagle Star Trust Company Limited, whose registered and head office is at 1 Threadneedle Street, London EC2R 8BE, as trustee for the holders of the Stock (the "Stockholders"). The Trust Deed contains, *inter alia*, provisions to the following effect.

1. Payment

(a) The issue price for the Stock of £100 per cent. per £100 nominal of Stock is payable as to 50p per £1 nominal of Stock on issue leaving the balance subject to call as provided below.

(b) The Company shall be entitled on a single day (the "call date") falling between 1 January, 1986 and 30 September, 1986 by giving to the Stockholders not less than 28 days' prior notice in writing (in a form previously approved by the Trustee) (the "call notice") expiring on the call date to make an irrevocable call upon the Stockholders in respect of the entire balance of moneys unpaid on the issue price of their Stock and each Stockholder shall, at the time on the call date and at the place specified in the call notice pay to the Company the amount called in respect of his Stock and shall at the same time produce to the Company's registrars as specified in the call notice the certificates of the relative Stock which shall have endorsed thereon by or on behalf of the Company a memorandum of the amount and date of payment of the call.

(c) In the event that the Company shall for whatsoever reason fail to serve a call notice expiring on a date not later than 30 September, 1986 in the manner described in (b) above, then each Stockholder shall be entitled to give notice in writing to the Company on or before 15 November, 1986 requiring the Company to redeem the whole or such part as he may in such notice specify of his Stock in cash at a price equal to the amount paid up on the Stock to be redeemed and the amount of any such redemption together with interest (on the amount paid up on the Stock so redeemed) accrued up to and including the date of redemption shall be paid on or before 31 December, 1986.

(d) The joint holders of Stock shall be jointly and severally liable to pay the call.

(e) The registered holder or holders of Stock on the record date in respect of the call and the registered holder or holders of such Stock on the call date shall be jointly and severally liable to pay the call.

(f) Any sum in respect of the balance of the issue price of Stock subject to call paid in advance of the time appointed for the payment thereof shall not bear interest or render the Company liable to make any other payment in respect thereof.

(g) If any amount of a call is not paid in full when due:—

(i) the person(s) from whom the amount is due shall pay interest on the amount from the day appointed for payment thereof to the time of actual payment at the rate of two per cent. per annum above the Base Rate of Midland Bank plc from time to time, but the Company shall be at liberty to waive payment of such interest wholly or in part;

(ii) from the time appointed for payment of the amount called to the time of actual payment thereof, with any interest payable in respect thereof, neither the person(s) from whom the amount is due nor the Trustee shall be entitled to exercise in respect of the relative Stock any right as to conversion, redemption, voting or any other right (notwithstanding that notice of any such exercise may have been given to the Company on or before the time appointed for payment) and the person(s) from whom the amount is due shall not be entitled to receive notices of meetings of Stockholders; and

(iii) the person(s) from whom the amount is due shall not be entitled to receive in respect of the relative Stock any interest in respect of the period commencing on the day appointed for payment to the date of actual payment (with any interest payable in respect thereof) (both dates inclusive).

(h) If any amount of a call is not paid in full when due, the Company may, at any time thereafter during such time as any part of the call remains unpaid, serve a notice in writing (in a form previously approved by the Trustee) on the person(s) from whom the amount is due requiring payment of so much of the call as is unpaid, together with any interest which may have accrued. The notice shall name a further day (not earlier than the expiration of seven days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the Stock in respect of which the call was made will be liable to be forfeited. If the requirements of any such notice as aforesaid are not complied with, any Stock in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, at the discretion of the Company be forfeited. Forfeited Stock may at the discretion of the Company be cancelled or sold or otherwise disposed of as though it were fully paid on such terms and in such manner as the Company thinks fit for its own account, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Company thinks fit. A person whose Stock shall have been forfeited shall cease to be a Stockholder in respect of the forfeited Stock but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the Stock, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the Stock.

(i) No transfer will be registered of Stock in respect of which a sum called has not been paid in full together with any interest payable in respect thereof.

2. Interest

Interest at the rate of 8 per cent. per annum will be payable (less income tax) on the amount paid up on the Stock by half-yearly instalments on 1 April and 30 September in each year except that the first payment of interest on the Stock will be made on 1 April, 1986 in respect of the period from the date of first issue of any of the Stock to 1 April, 1986 (both dates inclusive). Thereafter such payments of half-yearly interest shall be made in equal instalments save to the extent necessary to reflect differing amounts from time to time paid up on the Stock.

3. Conversion rights

(a) Each Stockholder shall have the right to convert the whole or any part (being an integral multiple of £1 nominal) of his holding of Stock into fully paid Ordinary Shares of the Company ("Ordinary Shares") in any of the years 1987 to 1995 at the rate (subject to adjustment under sub-paragraph (h) (1) below) of 75p nominal of ordinary share capital (i.e. one Ordinary Share of 75p) per £1 paid up in respect of Stock converted (such conversion rate as so adjusted from time to time being hereinafter called the "conversion rate").

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(b) Each certificate for the Stock to which conversion rights attach shall have endorsed thereon a conversion notice. The conversion rights shall be exercisable by sending to the Registrars of the Company at any time during the period 30 April to 30 May (both dates inclusive), so as to arrive on or before 30 May, in any of the years 1987 to 1995 inclusive (each such period, subject as hereinafter provided, being hereinafter referred to as a "conversion period") the relevant Stock certificate(s) with the conversion notice(s) thereon duly completed and signed. If in any of the years 1987 to 1995 inclusive there shall not for any reason have been despatched to Stockholders by 30 April the audited accounts of the Company (or, if it has a Subsidiary or Subsidiaries, the audited consolidated accounts of the Company and its Subsidiary or Subsidiaries) for its financial period then most recently completed, the relevant conversion period of 30 April to 30 May shall (instead of being such period) be the period of 31 days immediately following the date of despatch of such accounts and the Company shall inform the Stockholders accordingly by notice in writing (in a form previously approved by the Trustee) by 30 April in such year.

(c) Subject to paragraph 3(l) below, Ordinary Shares arising on conversion shall be allotted by the Company not later than 14 days after, and with effect from, the last day of the relevant conversion period (the "conversion date") and the Company shall despatch to the persons entitled thereto within 28 days after such conversion date certificates for such Ordinary Shares and (if appropriate) separate certificates for any balances of Stock not converted and remittances in respect of any fractional entitlements under (f) below.

(d) Interest on Stock converted into Ordinary Shares shall cease to accrue immediately after the interest payment date last preceding the relevant conversion date.

(e) Ordinary Shares issued on conversion shall be credited as fully paid and shall carry the right to participate in full in all dividends and (unless adjustments to the conversion rate shall have been made in respect thereof pursuant to sub-paragraph (h) (1) below) other distributions declared, paid or made on the Ordinary Shares in or in respect of the financial period of the Company in which the relevant conversion date falls other than any dividends declared, paid or made on the Ordinary Shares in respect of any earlier financial period. In all other respects, such Ordinary Shares shall rank *pari passu* and form one class with the Ordinary Shares in issue on the relevant conversion date.

(f) If any fractions of Ordinary Shares shall arise on conversion, the Ordinary Shares representing such fractions will be aggregated and sold in the market and the net proceeds of sale will be distributed *pro rata* among the persons entitled thereto, except that entitlements of less than £2 will not be so distributed but will be retained for the benefit of the Company.

(g) Subject to paragraph 3 (l) below, the Company shall promptly apply for and shall use its best endeavours to obtain a listing or quotation for all Ordinary Shares arising on conversion on The Stock Exchange in London ("The Stock Exchange") and shall use its best endeavours to maintain a listing on The Stock Exchange for the Stock and, for so long as any of the Stock may be or become convertible, for the Ordinary Shares.

(h) So long as any of the Stock remains capable of being converted the following provisions (*inter alia*) shall apply:—

(1) (A) Upon any allotment of fully paid Ordinary Shares pursuant to a capitalisation of profits or reserves to any holders of Ordinary Shares on the register on a date whilst any Stock remains capable of being converted, the nominal amount of ordinary share capital to be issued in respect of Stock converted on any conversion date following the record date for such allotment shall be increased in due proportion. No adjustment shall be made in the conversion rate by reason only of a holder of Ordinary Shares wholly or partially foregoing his entitlement to a cash dividend and in lieu thereof the Company making an issue to him of fully paid Ordinary Shares by way of capitalisation of amounts standing to the credit of the profit and loss account or revenue reserves of an amount equal to the amount of the cash dividend foregone provided that in respect of each such issue—

(i) the Trustee shall have been given not less than twenty eight days' written notice thereof by the Company;

(ii) the Trustee is supplied immediately prior thereto with a certificate from the Auditors (as defined in the Trust Deed) or other advisers approved by the Trustee to the effect that the basis of the issue of Ordinary Shares as aforesaid will not be materially prejudicial to the interests of the Stockholders; and

(iii) the Trustee is satisfied that the interests of the Stockholders will not otherwise be materially prejudiced thereby.

(B) If the Company makes any offer by way of rights to holders of its ordinary share capital of Ordinary Shares for which a listing on The Stock Exchange is obtained (the Ordinary Shares so offered being hereinafter referred to as "the new shares") then on the occasion of each such offer the conversion rate shall be adjusted so that the nominal amount of ordinary share capital to be issued per £100 nominal of Stock converted (and *pro rata* for other nominal amounts of Stock) shall be increased by an amount (expressed in pence) equal to:—

$$\frac{A \times C}{B + C}$$

where:—

A equals the nominal amount (expressed in pence) of the new shares (including any fraction of a new share) which would have been offered to a holder of £100 nominal of Stock had his conversion rights been exercisable and exercised in full immediately before the record date for such offer at the conversion rate then applicable;

B equals the price per share (expressed in pence) at which the new shares are being offered to holders of the Ordinary Shares; and

C equals the average of the middle market quotations (expressed in pence) on The Stock Exchange (derived from The Stock Exchange Daily Official List) for the new shares, nil paid, during the period in which the new shares are dealt in on The Stock Exchange, nil paid.

(C) All adjustments to the conversion rate shall be rounded to two decimal places (0.005 being rounded up). The Company will forthwith notify the Stockholders in writing (in a form previously approved by the Trustee) of any increases in the conversion rate pursuant to sub-paragraphs (A) and (B) above.

(2) If any offer (not falling within sub-paragraph (h) (1) (B) above or sub-paragraph (h) (11) below) or invitation is made to holders of the Ordinary Shares, the Company shall make or use its best endeavours to procure that there is made at the same time a like offer or invitation to each of the then Stockholders as if his conversion rights had been exercisable and exercised in full immediately before the record date for such offer or invitation at the conversion rate then applicable. Except for offers falling within sub-paragraph (h) (1) (B) above, the Company shall not make, or permit any Subsidiary to make, any offer or invitation to ordinary shareholders unless it makes to each Stockholder at the same time a like offer or invitation as referred to in the preceding sentence of this sub-paragraph.

(3) The Company shall not distribute capital profits or capital reserves otherwise than by way of a capitalisation issue permitted under sub-paragraph (h) (4) below or pursuant to any such distribution as is described in sub-paragraph (h) (13) below; for the purposes of this sub-paragraph in so far as the relevant audited accounts do not distinguish between capital and revenue profits or reserves the Company and the Trustee shall rely upon an estimate in writing by the Auditors as to the extent to which any part of any profits should be regarded as capital profit or capital reserves.

(4) The Company shall not capitalise profits or reserves except by way of a capitalisation issue made only to holders of Ordinary Shares in the form of fully paid Ordinary Shares provided that, if there shall be outstanding any equity share capital of a class other than the ordinary share capital, then the Company may in addition make a capitalisation issue to holders of shares of that class in the form of fully paid shares of that class and/or of fully paid Ordinary Shares.

(5) The Company shall not (except with the prior written consent of the Trustee) make any offer or invitation to the holders of the Ordinary Shares or allot any shares pursuant to a capitalisation issue during a conversion period or by reference to a record date occurring during a conversion period or following a conversion period by reference to a record date occurring prior to such conversion period.

(6) Without prejudice to the right of the Company to consolidate or subdivide shares or convert shares into stock or vice versa, it will not (except with the previous sanction of an Extraordinary Resolution (as defined in the Trust Deed) of the Stockholders) alter the rights attached to all or any part of its ordinary share capital in issue from time to time or attach any special rights, privileges or restrictions thereto and will not create or issue any new class of equity share capital other than as Ordinary Shares ranking *pari passu* in all respects (or in all respects except as regards any restriction on their rights to receive dividends or other distributions or on their rights in a return of capital or on their rights to participate in any issue by way of capitalisation of profits or reserves or on their voting rights which in all such cases make such rights less favourable than those attached to the Ordinary Shares) with the ordinary share capital of the Company in issue on 30 September, 1985.

(7) The Company shall not do any act or thing resulting in an adjustment of the conversion rate if in consequence such conversion rate would involve the issue of ordinary share capital at a discount to its nominal value.

(8) The Company shall not (except as authorised by Section 146(2) or Section 159 of the Companies Act 1985 in respect of redeemable shares or of shares purchased by it with the sanction of Stockholders as hereinafter mentioned) reduce its share capital or any uncalled or unpaid liability in respect thereof or (except as authorised by Section 130(2), 160(2) and 170(4) of the Companies Act 1985) any amount for the time being standing to the credit of any share premium account or capital redemption reserve or, except with the sanction of an Extraordinary Resolution of the Stockholders, purchase any of its own shares.

(9) If the Company commences liquidation, whether voluntary or compulsory, it shall forthwith give written notice thereof (in a form previously approved by the Trustee) to all Stockholders and thereupon each Stockholder shall in respect of all or any of his Stock as he may specify in his notice be entitled within 42 days after the date of such notice by the Company to elect by notice in writing to the Company to be treated as if a conversion date had occurred on the day immediately preceding the date of such commencement and his conversion rights had been exercisable and exercised as at that date at the conversion rate then applicable. Any Stockholder so electing shall, subject as hereafter in this sub-paragraph provided, in lieu of the payments which would otherwise be due in respect of his Stock, be entitled to participate in the assets available in the liquidation *pari passu* with the holders of the ordinary share capital as if he were the holder of the ordinary share capital (including any fractional entitlement) to which he would have become entitled by virtue of such conversion. Notwithstanding the foregoing, a Stockholder making such election shall be entitled to receive and retain any payment in respect of the Stock in relation to which he shall have made such election which shall have become due prior to such immediately preceding day as though he had not made such election. For the purpose of determining the assets in which any Stockholder making an election as aforesaid shall be entitled to participate, the provisions of paragraph 3 (d) and (e) above shall apply as if such immediately preceding day were a conversion date, provided that if such Stockholder shall receive any payment on the Stock in relation to which he shall have made such election in respect of interest falling due on the Stock on such immediately preceding day, or any day thereafter up to and including the date of service of the aforesaid notice by the Company, he shall be entitled to retain such payment. Subject to this sub-paragraph, conversion rights shall lapse in the event of liquidation of the Company.

(10) If the Trustee shall in accordance with the provisions for enforcement under the Trust Deed (other than by reason of the liquidation of the Company) give notice that the Stock is due and repayable, each Stockholder will be entitled within 42 days after the date of such notice (notice of which entitlement, in a form previously approved by the Trustee, shall forthwith be sent by the Company to Stockholders at the Company's expense) to elect by notice in writing to the Company, in lieu of having it repaid at par, to convert all or such part as he shall in such notice specify of his Stock (and so that for this purpose such period of 42 days shall be deemed to be a conversion period, the last day thereof shall be deemed to be a conversion date and the provisions of paragraphs 3 (d) and (e) above shall apply accordingly) at the conversion rate applicable on the last day of such period of 42 days.

(11) If any offer is made to all the holders of the Ordinary Shares (or to all such holders other than the offeror and/or any company controlled by the offeror and/or persons associated or acting in concert with the offeror) to acquire the whole or any part of the ordinary share capital of the Company (an "ordinary offer") and the Company becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a General Meeting of the Company has or will become vested in the offeror and/or any company controlled by the offeror and/or persons associated or acting in concert with the offeror, the Company shall give notice of that fact in writing (in a form previously approved by the Trustee) to the Stockholders within 14 days of its becoming so aware and unless an offer, proposal, scheme or other arrangement which is on the same terms as to consideration as the Stockholders would have received had they, being so entitled, exercised their conversion rights in full and accepted the ordinary offer in respect of the Ordinary Shares arising on such conversion (or on terms as to consideration which are, in the opinion of a financial adviser approved for this purpose by the Trustee, as favourable as or more favourable than such terms) has already been, or not later than 45 days after the date of such notice is, made or put to the Stockholders, then the Company shall forthwith thereafter give further notice in writing of that fact to the Stockholders (in a form previously approved by the Trustee) and each Stockholder may, within a period of a further 30 days after the date of such further notice, give notice in writing to the Company:—

(A) exercising his conversion rights (such exercise to be effective on the last day of the said period of 30 days, which day shall be deemed to be a conversion date) in respect of the whole or such part as he may in such notice specify of his Stock at the conversion rate applicable on the deemed conversion date; and/or

(B) requiring the Company to redeem the whole or such part as he may in such notice specify of his Stock (excluding Stock to be converted pursuant to sub-paragraph (A) immediately above) in cash at a price equal to the highest of—

(i) the average of the middle market quotations of the Stock on The Stock Exchange (derived from The Stock Exchange Daily Official List) for the 14 consecutive dealing days next following the date of the announcement of the terms of the ordinary offer or, if such terms shall be subsequently revised, the date of the announcement of such revision; and

(ii) the value of the Ordinary Shares into which the Stock required to be redeemed as aforesaid would be converted if the Stockholder were to exercise his conversion rights pursuant to sub-paragraph (A) immediately above in respect of such Stock, such value to be calculated by reference to the average of the middle market quotations for the dealing days specified in (i) above of the Ordinary Shares (derived from The Stock Exchange Daily Official List); and

(iii) the amount paid up thereon.

The amount of such redemption together with interest (on the amount paid up on the Stock so redeemed) accrued up to and including the date of redemption shall be paid on the day next following the expiry of 60 days from the date of the said further notice from the Company.

The publication of a scheme of arrangement under the Companies Act 1985 providing for the acquisition by any person of the whole or any part of the ordinary share capital of the Company shall be deemed for the purposes of this sub-paragraph to be the making of an ordinary offer in relation to which the Company becomes aware that the right to cast 50 per cent. of the votes which may ordinarily be cast on a poll at a General Meeting of the Company has or will become vested in the offeror and/or any company controlled by the offeror and/or persons associated or acting in concert with the offeror, as aforementioned.

(14) The Company shall keep available and authorised for issue sufficient ordinary share capital to satisfy in full all rights for the time being outstanding of conversion into and subscription for Ordinary Shares.

(15) The Company shall send to the Stockholders a copy of every document sent to the holders of the Ordinary Shares at the time the same is sent to such holders. In addition, the Company shall send to Stockholders not more than 56 days and not less than 28 days prior to each conversion date a reminder (in a form previously approved by the Trustee) of the conversion rights then exercisable and of the conversion rate then applicable and in the event of a change in the conversion date or conversion rate will forthwith notify the Stockholders thereof (in a form previously approved by the Trustee).

(16) The Company shall not without the prior written consent of the Trustee change the end of any of its financial periods from 30 September except to a date falling within 7 days before or after 30 September and the Company shall use all reasonable endeavours to send out its audited accounts (or, if it has a Subsidiary or Subsidiaries, the audited consolidated accounts of the Company and its Subsidiary or Subsidiaries) for each financial period not later than the next following 30 April.

(17) The Company shall not grant any options to subscribe for equity share capital or rights to convert securities into equity share capital where the effective price (as defined in the Trust Deed) is more than 10 per cent. below the average of the middle market quotations of the Ordinary Shares on The Stock Exchange (derived from The Stock Exchange Daily Official List) for the dealing days between seven and twenty-one days (both inclusive) prior to the earlier of the date of the grant or the posting of any document offering to grant the same, or, if earlier, the date of any public announcement of the proposed terms thereof, provided that this restriction shall not prevent the grant of options to subscribe for equity share capital, pursuant to any scheme approved by the Company in general meeting, to employees (including Directors holding executive office) of the Company or its Subsidiaries by reason of their office or employment.

(i) The Trustee may, at its absolute discretion and without any responsibility for any loss occasioned thereby, within a period of 28 days after the final conversion date in respect of the year 1995, exercise any conversion rights not exercised by such conversion date and sell for the benefit of the Stockholders entitled thereto the Ordinary Shares allotted on such conversion provided that the Trustee shall not exercise such right unless a financial adviser (acting as an expert and not as an arbitrator) appointed by the Trustee has stated that in its opinion the exercise of such right and sale would be in the interests of the Stockholders concerned as a body. Such period of 28 days shall be deemed to be a conversion period and the date of exercise of such right shall be deemed to be a conversion date and the provisions of paragraphs 3(d) and (e) above shall apply accordingly save that for the purposes of those paragraphs the conversion date shall be deemed to be the final conversion date prior to such exercise of conversion rights by the Trustee. The Company shall as soon as practicable and in any event within a period of 5 days after the final conversion date in respect of the year 1995 notify the Trustee of the nominal amount of the Stock in respect of which conversion rights have not been exercised by such conversion date together with (if requested by the Trustee on or before such conversion date) details of the relative Stockholders and the Trustee may, at its absolute discretion and without any responsibility for any loss occasioned thereby, at any time within the said period of 28 days after the final conversion date in respect of the year 1995 notify the Company of its intention to exercise conversion rights in respect of such Stock as may be specified in such notice (without prejudice to the right of the Trustee to exercise conversion rights in respect of further Stock) and the Company shall forthwith upon such notice being given apply for and shall use its best endeavours to obtain a listing or quotation for all Ordinary Shares arising on conversion of such Stock on The Stock Exchange and Ordinary Shares arising on conversion of such Stock shall be allotted by the Company not later than 3 days after, and with effect from, the exercise by the Trustee of the relative conversion rights and the Company shall despatch to the Trustee within 10 days after such deemed conversion date certificates for such Ordinary Shares and (if appropriate) separate certificates for any balances of Stock not converted and remittances in respect of any fractional entitlements under paragraph 3 (f) above.

4. Compulsory conversion, redemption and purchase

(a) If immediately after any conversion date, taking into account all conversion rights exercised on or before that date, at least 75 per cent. in nominal amount of the Stock (which expression for the purpose of this sub-paragraph (a) shall include any further unsecured loan stock forming a single series therewith but shall exclude any of the Stock or such further unsecured loan stock purchased by the Company or any Subsidiary and/or which has been cancelled) shall have been converted, the Company shall be entitled by not less than 35 and not more than 60 days' notice in writing (in a form previously approved by the Trustee) given within 30 days after that or any subsequent conversion date to convert, on the expiry date of such notice, the whole (but not part only) of the Stock into Ordinary Shares at the conversion rate applicable on the expiry date of such notice. For the purposes of paragraph 3 above, such expiry date shall be deemed to be a conversion date and the provisions of such paragraph shall apply to any conversion hereunder accordingly, save that where such notice is given before 30 September in any year, the interest otherwise payable on that date in that year shall be deferred and shall become due only in respect of that part of the Stock in relation to which the right specified below shall be duly exercised; provided that each Stockholder shall have the right by prior written notice to the Company given within 30 days after the service of such notice by the Company to require the Company, in lieu of converting, to redeem on the expiry date of the notice given by the Company the whole or such part as he may specify in his notice of his holding of Stock at a price equal to the amount paid up thereon together with interest accrued up to and including the date of redemption, and in that event the Company shall be bound to repay such Stock accordingly.

(b) The Company or any Subsidiary may at any time purchase Stock on any recognised stock exchange or by tender (available to all Stockholders alike) or by private treaty, in each case at a price (inclusive of accrued interest but exclusive of all costs of purchase) which, if the Stock is then listed on The Stock Exchange, shall not exceed the average of the middle market quotations therefor on The Stock Exchange (derived from The Stock Exchange Daily Official List) during the period of 10 dealing days immediately preceding the date of purchase or, in the case of a purchase on The Stock Exchange, at the market price thereof provided that such market price is not more than 5 per cent. above such average, and which, if the Stock is not then so listed, shall not exceed 110 per cent. of the nominal amount thereof, but not otherwise.

(c) All Stock not previously so purchased, or redeemed by the Company, or converted, will be redeemed on 30 September, 2005 at a price equal to the amount paid up thereon together with interest accrued up to and including such date.

(d) All Stock purchased, redeemed or converted in accordance with any of the foregoing provisions shall be cancelled and shall not be available for reissue.

(e) The Company may exercise its rights and powers of purchase, redemption and compulsory conversion as regards the Stock and any further unsecured loan stock which may be issued pursuant to paragraph 7 below (not being a series which is identical and forms a single series with the Stock) at its absolute discretion and without obligation to maintain any ratio between the amounts for the time being outstanding of any series.

5. Negative pledge and restriction on activities

(a) So long as any of the Stock remains outstanding, the Company will not and will procure that no Subsidiary will create or permit to be outstanding any mortgage, charge, pledge or lien or other security interest upon the whole or any part of its property, assets or revenue, present or future, other than:—

(i) any such security interest over any property to be occupied by the Company or a Subsidiary (or documents of title thereto) or any assets to be used by the Company or a Subsidiary and purchased by the Company or a Subsidiary as security for all or part of the purchase price thereof owing to the vendor thereof or as security for all or part of any moneys raised to finance the purchase price thereof where (in either case) any such security interest was created prior to or simultaneously with the date of acquisition thereof (which shall be treated as occurring on the date of completion);

(ii) any such security interest arising or subsisting in the ordinary course of business or by operation of law and not for the purpose of raising money or having the effect of securing indebtedness for borrowed moneys;

(iii) any such security interest created by a Subsidiary prior to its becoming a Subsidiary; or

(iv) any such security interest not falling within the exceptions contained in paragraphs (i), (ii) and (iii) above provided that the aggregate principal amount secured by all such security interests created by the Company and its Subsidiaries does not exceed £1,000,000

unless the Stock is also at the same time secured, to the satisfaction of the Trustee, equally and rateably with such mortgage, charge, pledge, lien or other security interest.

(b) Until 1 October, 1988, the Company will restrict its activities to the investment in, and advance of, loans secured by interests in residential properties in the British Isles and any activity which is directly or indirectly incidental thereto, or which is directly or indirectly incidental to the purchase and sale of residential property or any interest therein in the British Isles or to the management of any such activities on behalf of third parties.

6. Restrictions on borrowings

(a) So long as any part of the Stock remains outstanding the Company shall procure that the aggregate principal amount (including any fixed or minimum premium payable on final redemption) for the time being remaining undischarged of all moneys borrowed by the Company and/or all moneys borrowed by any Subsidiary or Subsidiaries (exclusive of moneys borrowed by the Company from and for the time being owing to any Subsidiary or by any Subsidiary from and for the time being owing to the Company or any other Subsidiary) at any time shall not exceed, prior to the publication of the first Balance Sheet, £250,000,000 plus ten times the aggregate of the amount paid up on the Ordinary Shares pursuant to a call duly made and the amount credited as paid up on any Ordinary Shares issued on conversion of the Stock and, thereafter, an amount equal to ten times the adjusted total of the share capital and reserves (as defined in paragraph 8 below);

(b) For the purposes of this paragraph 6:—

(1) Moneys borrowed shall be deemed to include:—

(A) the principal amount for the time being owing in respect of any debenture (within the meaning of Section 744 of the Companies Act 1985) whether issued in whole or in part for cash or for a consideration other than cash together with any fixed or minimum premium payable on final redemption;

(B) the nominal amount of any share capital issued and the principal amount of any money borrowed the repayment whereof is guaranteed or secured by or is the subject of an indemnity given by the Company or any Subsidiary (together in each case with any fixed or minimum premium payable on final redemption or repayment) except so far as either (a) such share capital or the debt owing in respect of such borrowed money is for the time being beneficially owned by the Company or by a Subsidiary, or (b) such borrowed money is otherwise taken into account as money borrowed by the Company or a Subsidiary;

(C) the principal amount of acceptances by any bank or accepting house under any acceptance credit opened on behalf of and in favour of the Company or any of the Subsidiaries, not being acceptances of trade bills for the purchase of goods in the ordinary course of business; and

(D) the nominal amount of any issued share capital of a Subsidiary (not being equity share capital) owned otherwise than by the Company or a Subsidiary together with any fixed or minimum premium payable on final redemption;

(2) Moneys borrowed or raised by the Company or a Subsidiary which would otherwise fall to be taken into account for the purposes of the limit set out in sub-paragraph (a) of this paragraph and intended to be applied within six months of first being so borrowed or raised in repaying other moneys borrowed falling to be taken into account for the purposes of such limit shall pending such application or the expiry of such period whichever shall be the earlier be deemed not to be moneys borrowed;

(3) Moneys borrowed by a partly owned Subsidiary shall be deemed to be reduced by an amount equal to the minority proportion (namely the proportion of the issued equity share capital of the partly owned Subsidiary which is not beneficially owned directly or indirectly by the Company or another Subsidiary) of such moneys borrowed; moneys borrowed by the Company or a Subsidiary from a partly owned Subsidiary which would fall to be excluded as being moneys borrowed owing between companies in the Group shall nevertheless be included to the extent of an amount equal to such minority proportion of such moneys borrowed;

(4) A sum equal to the amount of moneys borrowed of a company which becomes a Subsidiary and which are outstanding at the date when such company becomes a Subsidiary shall, for a period of six months from the date of such event, be deemed not to be moneys borrowed for the purposes of the limit set out in sub-paragraph (a) of this paragraph to the extent that such sum exceeds any increase in such limit arising out of the adjustments to be made to the adjusted total of the share capital and reserves on account of the transaction whereby such company becomes a Subsidiary and of any other transaction effected during such period of six months whereby the outside interest (if any) in such Subsidiary is reduced;

(5) Any company which it is proposed shall become or cease to be a Subsidiary contemporaneously with any relevant transaction shall be treated as if it had already become or ceased to be a Subsidiary;

(6) When the aggregate amount of moneys borrowed required to be taken into account for the purposes of this paragraph on any particular day is being ascertained, any such moneys denominated or repayable (or repayable at the option of any person other than the Company or a Subsidiary) in a currency other than sterling (and in respect of which the borrower thereof has not entered into arrangements effectively to convert the liability in respect thereof into a liability to pay a specified amount in sterling) shall be translated for the purpose of calculating the sterling equivalent at the rate(s) of exchange (as defined in the Trust Deed) prevailing on that day in London provided that all such moneys as were also outstanding on the date to which the latest Balance Sheet was made up (provided that the same is a date falling within the period of six months ending on the said particular day) shall, if thereby the sterling equivalent would be less, be converted into sterling at the rate of exchange for such currency used for the purpose of such Balance Sheet; and

(7) No moneys borrowed shall be included in the same calculation more than once.

7. Further issues of unsecured loan stock

Subject to the terms hereof, provision will be made to enable further unsecured loan stock of the Company to be issued either so as to be identical in all respects (except as regards the first payment of interest) and to form a single series with the Stock or on such terms, including rights as to interest, conversion, premium, redemption and otherwise, as the Directors of the Company may determine. Such further unsecured loan stock

A certificate or report by the Auditors as to the amount of the adjusted total of the share capital and reserves or the amount of moneys borrowed or secured or to the effect that the limit imposed by paragraph 6 has not been or will not be exceeded at any particular time or times shall be relied upon by the Trustee and shall be conclusive evidence of such amount or fact and binding on the Company and the Stockholders.

9. Registration and Transfers

The Stock will be registered and transferable in integral multiples of £1 nominal, and each £1 nominal will be serially numbered for so long as any of the Stock is partly paid.

10. Modification of rights

The Stockholders and the holders of any other unsecured loan stock constituted by deed supplemental to the Trust Deed may by Extraordinary Resolution, *inter alia*, sanction any modification or compromise of or arrangement in respect of their rights against the Company and assent to any modification of the provisions of the Trust Deed. Provision is made for convening separate meetings of the Stockholders and the holders of any other such unsecured loan stock in certain circumstances. The Trustee may from time to time without the consent or sanction of the Stockholders (but only if and in so far as in the opinion of the Trustee the interests of the Stockholders will not be materially prejudiced thereby) waive or authorise on such terms and subject to such conditions as shall seem expedient to it any breach or proposed breach by the Company of any of the covenants or provisions of the Trust Deed or any act or omission which would or might otherwise on its own or together with any other act or omission constitute an event of default under the Trust Deed. In addition, the Trustee may at any time and from time to time without the consent or sanction of the Stockholders concur with the Company in making any modification to the provisions of the Trust Deed which in its opinion will not be materially prejudicial to the interests of the Stockholders or which is to correct a manifest error.

11. Indemnification of and consents by the Trustee

The Trust Deed contains provisions governing the responsibility of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it, unless indemnified to its satisfaction, from taking proceedings against the Company. Any consent given by the Trustee may be given on such terms and subject to such conditions, if any, as the Trustee may in its absolute discretion think fit and may be given retrospectively.

12. Retirement and replacement of Trustee

The Trust Deed provides that the Trustee may retire at any time and that the power to appoint new trustees is vested in the Company who shall not appoint any new trustee not previously approved by an Extraordinary Resolution.

Other information

(i) The yield on the Stock may be computed by dividing the rate of interest by the middle market quotation derived from The Stock Exchange Daily Official List and multiplying the result by one hundred.

(ii) The Trust Deed does not contain any restriction on the disposal of assets by the Company and the Subsidiaries, does not provide for any Subsidiaries to guarantee the Stock and after 1 October, 1988 does not contain any restrictions on the Company's activities.

(iii) The Trust Deed contains a covenant on the Company to make a call for the entire unpaid balance of the issue price of the Ordinary Shares on the same date as a call is made on the Loan Stock, under paragraph 1 (b) above.

Part III

General Information

1. History and share capital

(a) The Company was incorporated in England as a public limited company under the Companies Acts 1948 to 1981 on 29 May, 1985 (registered number 1917566) with an authorised share capital of £100,000 divided into 100,000 Ordinary Shares of £1 each of which two have been issued to the subscribers to the Memorandum of Association.

(b) The Company was incorporated with the name Jordans 274 Public Limited Company. The name of the Company was changed to The Home Loans Corporation plc on 25 June, 1985, and to The National Home Loans Corporation plc on 29 August, 1985.

(c) On 28 August, 1985 resolutions of the Company were passed whereby the authorised share capital of the Company was increased to £300,000 by the creation of a further 200,000 Ordinary Shares of £1 each, the authorised share capital was then consolidated into 100,000 Ordinary Shares of £3 each, each Ordinary Share of £3 each, whether issued or unissued, was sub-divided into four Ordinary Shares of 75p each and then the authorised share capital of the Company was increased to £187,500,000 by the creation of a further 249,600,000 Ordinary Shares of 75p each.

(d) On 10 September, 1985 resolutions of the Company were passed whereby:—

(i) the Company amended clause 4 of its Memorandum of Association and adopted new Articles of Association;

(ii) the Company adopted The National Home Loans Corporation plc Senior Executive Share Option Scheme (the "Scheme"), under which options to subscribe for Ordinary Shares may be granted, the principal terms of which are summarised in paragraph 5 of this Part III;

(iii) the Directors were, pursuant to section 80 of the Companies Act 1985, given authority to allot and to make offers or agreements to allot relevant securities (as defined in the said section 80) up to a maximum nominal amount of £135,000,000 such authority expiring five years from the date of passing of such resolution; and

(iv) the Directors were empowered in accordance with section 95 of the Companies Act 1985 as if section 89 of that Act did not apply to allot and to make offers or agreements to allot equity securities (as defined in section 94 of that Act) up to a maximum nominal amount of £135,000,000, provided that this power is limited to allotment of equity securities in respect of a rights issue in favour of ordinary shareholders, to allotment of up to £87,500,000 nominal of equity securities in connection with the Offer for Subscription, to allotment of up to £1,877,500 nominal of equity securities in connection with the Scheme, and to the allotment of up to £1,877,500 nominal of equity securities otherwise than as set out above, and shall expire at the annual general meeting of the Company in 1986.

(e) On 28 August, 1985 the subscribers to the Memorandum of Association transferred one nil paid Ordinary Share of £1 in the Company to HongkongBank and one to HBL Nominees Limited as nominee for HongkongBank and each of HongkongBank and HBL Nominees Limited agreed to subscribe for a further two Ordinary Shares of £1 in the Company. The three Ordinary Shares of £1 in the Company transferred and allotted to HongkongBank and HBL Nominees Limited were, as a result of the resolutions referred to in paragraph 1(c) above, converted into four Ordinary Shares of 75p each, on each of which 50p of the issue price of 100p per Ordinary Share has been paid up in cash and 50p nominal value left outstanding subject to call. HongkongBank also agreed to subscribe for a further 66,659 Ordinary Shares at 100p per share of which 50p has been paid up in cash, leaving 50p nominal value subject to call. The Ordinary Shares transferred and allotted to HongkongBank and HBL Nominees Limited are not included in this Offer for Subscription.

(f) On 29 August, 1985 the Company obtained a certificate under section 117 of the Companies Act 1985 authorising it to commence business.

(g) Save as disclosed in paragraph 3 below and under "Employee Benefits" above—

(i) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company; and

(ii) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

(h) Following the completion of this Offer for Subscription 199,933,333 Ordinary Shares will remain unissued. Apart from the proposed issue of Ordinary Shares specified in this document, any issue of Ordinary Shares made on conversion of the Loan Stock and any issue of Ordinary Shares made on exercise of an option granted under the Scheme, no material issue of Ordinary Shares of the Company (other than to shareholders *pro rata* to existing holdings) will be made within one year of the date of this document without the prior approval of shareholders in general meeting.

(i) Save as disclosed above no issues of share or loan capital have been made by the Company.

2. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal objects are to invest in mortgage loans secured on residential or other properties within the British Isles or elsewhere and to acquire from third parties whether by purchase or otherwise mortgage loans and other similar investments; to lend or advance money and to give credit to any persons for any purpose whatsoever and in particular but without limitation for the purpose or purposes of, or in connection with, the acquisition, disposal or improvement of or alteration to any residential or other property or any interest therein within the British Isles or elsewhere, and whether secured on any such property or unsecured; to carry on business as moneylenders, financiers and investors and to undertake and carry on all kinds of loan, financial and other operations; to manage or administer the mortgage loan portfolios of local authorities or of any other persons in the British Isles or elsewhere and to manage or administer the businesses of any other third parties, whether or not within the British Isles, in whole or in part similar to any of the businesses of the Company; to raise or borrow money in such manner as the Board of Directors may think fit and to receive deposits and to mortgage, charge, pledge or give liens or other security over the whole or any part of the Company's undertaking, property and assets (whether present or future), including its uncalled capital, for such purposes and in such circumstances and upon such terms and conditions as the Board of Directors may think fit. The objects of the Company are set out in full in clause 4 of the Memorandum of Association which is available for inspection at either of the addresses specified in paragraph 9 of this Part III headed "Documents available for inspection".

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:—

(a) Voting

Subject to disenfranchisement of a member in the event of non-payment of any calls or other moneys due and payable in respect of any shares or non-compliance with a statutory notice requiring disclosure as to beneficial ownership and subject to any special terms as to voting on which any shares may be held, on a show of hands every member present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

(b) Borrowing powers

The Directors may exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking, property and assets both present and future (including uncalled capital), and, subject to section 80 of the Companies Act 1985, to issue debentures, debenture stock and other securities whether outright or as a collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries only insofar as by such exercise the Directors can secure) that the aggregate principal amount for the time being remaining undischarged of all moneys borrowed by the Company and its subsidiaries (other than from any of such companies) shall not, without the previous sanction of an ordinary resolution of the Company, exceed, pending publication of the Company's first audited accounts, the sum of £250,000,000 plus ten times the aggregate of the amount paid up on the Ordinary Shares pursuant to a call duly made and the amount credited as paid up on any Ordinary Shares issued on conversion of any loan stock issued by the Company, and thereafter a sum equal to ten times the aggregate of the amount paid up on the issued share capital for the time being of the Company and the amounts standing to the credit of the revenue and capital reserves of the Company and its subsidiaries (all as set out in the Articles of Association).

(c) Capital reserve fund

Every profit resulting from any dealing with, valuation or revaluation of any capital asset of the Company or of any liability of the Company incurred in the acquisition or financing of a capital asset and all other profits which are of a capital nature shall be credited to a capital reserve fund to be maintained by the Company. Every loss resulting from any such dealing, valuation or revaluation as aforesaid or any other loss which is of a capital nature may be charged against such capital reserve fund or against any other funds of the Company. The sum standing to the credit of the capital reserve fund shall not in any circumstances be available for distribution but subject as aforesaid may be employed and dealt with in such manner as the Directors think fit.

(d) Variation of rights

All or any of the rights or privileges attaching to any class of share may, subject to the terms of issue of shares of that class, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares.

(e) Directors

(i) The minimum number of Directors is two and there is no maximum number.

(ii) No share qualification shall be required.

(iii) Subject to the provisions of the Companies Act 1985, the Directors may from time to time appoint one or more of their number to the office of Chairman, Chief Executive, Managing Director or any other office on such terms as they think fit and may at any time revoke any such appointment without prejudice to any rights or claims the person whose appointment is revoked may have against the Company. A Director appointed as Chairman, Chief Executive or Managing Director shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the rotation or retirement of Directors.

(iv) At each annual general meeting one-third of the Directors who are subject to retirement by rotation (or the number nearest to but not exceeding one-third) shall retire by rotation and shall be eligible for re-election.

(v) Subject to the provisions of the Companies Act 1985, a Director may hold any other office or place of profit under the Company (other than that of auditor) in conjunction with his office of Director for such a period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director is disqualified by his office from contracting with the Company or is liable to account to the Company for any profit realised by any such contract by reason of such Director holding that office.

(vi) The Directors shall be paid fees for their services not to exceed £150,000 per annum in aggregate (to be divided between the Directors as they shall determine) or such greater amount as shall be determined by ordinary resolution of a general meeting of the Company. The Directors may also be paid all reasonable expenses properly incurred by them in attending meetings of the

(g) Transfer of shares

(i) The Ordinary Shares are in registered form and may be transferred by instrument of transfer in any usual or common form, or in such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, in the case of a partly paid share, shall be executed by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof.

(ii) The Directors may in their absolute discretion and without giving any reason refuse to register a transfer of any share which is not fully paid (whether as to nominal value or premium), or of any share to more than four transferees.

(h) Dividends and distribution of assets on liquidation

The holders of the Ordinary Shares are entitled *pari passu* amongst themselves in proportion to the amount paid by them on Ordinary Shares held by them to share in the whole of the profits of the Company paid out as dividends (which shall exclude all profits arising from any dealing with valuation or revaluation of investments or other capital assets) and the whole of any surplus in the event of the liquidation of the Company.

(i) Unclaimed dividends

Any dividend unclaimed for a period of 12 years after having been declared may be forfeited by, and shall thereupon revert to, the Company.

(j) Calls on shares and forfeiture

(i) The Directors may from time to time by resolution make calls upon the members in respect of any moneys unpaid on their shares (whether on account of nominal value or premium). Each member shall, subject to receiving at least 28 days' notice from the Company specifying the time and place of payment, pay to the Company at the time and place so specified the amount called on his shares.

(ii) The Directors may if they think fit receive any payment in advance of a call and may pay interest thereon at such rate not exceeding the appropriate rate (as defined in the Companies Act 1985) as may be agreed between the Directors and the member.

(iii) Any sum called in respect of a share which is not paid on or before the date for payment shall attract interest from that date until the time of actual payment at such rate as the Directors may determine.

(iv) In the case of joint holders, their liability to pay a call and interest thereon shall be joint and several.

(v) The Company shall have a first and paramount lien on every partly paid share for all moneys called in respect thereof.

(vi) If a member fails to pay the amount of a call on the due date for payment, the Directors may at any time thereafter serve on him not less than 7 days' notice requiring payment thereof, together with accrued interest, at such place as is specified in the notice which shall also state that in default the shares in question will be liable to be forfeited.

(vii) If the requirements of the last mentioned notice are not complied with, the relevant shares may at any time thereafter, before payment has been made, be forfeited by resolution of the Board whereupon they may be sold, re-allotted or otherwise disposed of to such person *and on such terms as the Directors think fit.*

(viii) A person whose shares have been forfeited shall cease to be a member in respect of those shares but shall notwithstanding the forfeiture remain liable to pay to the Company all moneys payable by him to the Company including interest.

3. Agreement with HongkongBank, expenses of issue and net proceeds

By an Underwriting Agreement dated 11 September, 1985 and made between the Company, its Directors, Cipfa Services and HongkongBank, HongkongBank has agreed, conditionally upon the admission to the Official List of The Stock Exchange of the Ordinary Shares and Loan Stock, issued and now being issued, becoming effective not later than 3 October, 1985, to underwrite the issue of 50,000,000 Ordinary Shares and £50,000,000 Loan Stock for which purpose it has agreed to apply or procure applications for any Units not otherwise applied for. The agreement contains certain warranties and indemnities given by the Directors, the Company and Cipfa Services and is subject to certain terms and conditions and may be rescinded by HongkongBank in certain exceptional circumstances. Under this agreement the Company will pay to HongkongBank a commission of 2 per cent. (plus Value Added Tax) of the total subscription price of the Ordinary Shares and Loan Stock hereby offered for subscription out of which HongkongBank will pay sub-underwriting commission of 1¼ per cent. (plus Value Added Tax) of such total price and a commission to James Capel & Co., the brokers to the issue, of ¼ per cent. (plus Value Added Tax) of such total price. The Company has also agreed to pay a fee of £333,500 (plus Value Added Tax) to each of HongkongBank, Cipfa Services and James Capel & Co. and to pay all other costs and expenses of and incidental to the issue (plus any applicable Value Added Tax) including the expenses of printing, advertising and circulating this Offer for Subscription, capital duty, registrars' charges, listing fees, the receiving bankers' charges and the fees of the reporting accountants and of the solicitors to the Company and to the Underwriters. The total costs and expenses payable by the Company are estimated to amount to approximately £4.3 million (including Value Added Tax). After meeting these costs and expenses, the net proceeds of the issue are estimated to amount to £45.7 million. The balance of the aggregate subscription price of £50 million is subject to call.

4. Directors' and other interests

(a) The Directors, including their immediate families, intend to apply for the number of Ordinary Shares and nominal amount of Loan Stock set out below:—

Name	Number of Ordinary Shares	Nominal amount of Loan Stock
John Darby	500	£500
Richard Lacy	500	£500
Kevin Milner	500	£500
Michael Burns	200	£200
Alan Gregory	200	£200
David Martin-Jenkins	200	£200
Sir Anthony Rawlinson	200	£200
Maurice Stonefrost	200	£200

At the date of this document, neither the Directors nor their immediate families have any interests in the share or loan capital of the Company.

(b) The Chief Executive of the Company, Mr. R. E. Lacy, has entered into a service agreement dated 10 September, 1985 with the Company for a maximum term of five years commencing on 11 September, 1985 and expiring on 10 September, 1990 unless terminated earlier by either party giving the other three years' notice. The service agreement provides for an annual salary of £84,000, subject to annual review by the Directors, and a discretionary bonus to be determined in the first year of service by the non-executive Directors and thereafter in accordance with a bonus scheme to be established by the Company for its senior employees.

The Finance Director of the Company, Mr. K. J. Milner, has entered into a service agreement dated 10 September, 1985 with the Company for a maximum term of four years commencing on 11 September, 1985 and expiring on 10 September, 1989 unless terminated earlier by either party giving the other two years' notice. The service agreement provides for an annual salary of £55,000, subject to annual review by the Directors, and a discretionary bonus to be determined in the first year of service by the non-executive Directors taking account of the recommendation of the Chief Executive and thereafter in accordance with a bonus scheme to be established by the Company for its senior employees. This agreement is conditional on the Ordinary Shares being admitted to listing not later than 3 October, 1985.

Save as disclosed in this paragraph, no Director has or proposes to have any service agreement with the Company.

(c) Save as disclosed in sub-paragraphs (a) and (b) above and paragraph 6(b) below there are no transactions which have been entered into by the Company since incorporation in which any of the Directors are interested and which are or were unusual in their nature or conditions or significant in relation to the business intended to be carried out by the Company.

(d) The promoters of the Company are Cipfa Services, HongkongBank and James Capel & Co., the brokers to the issue. No amount or benefit has been paid or given to any such promoters since the incorporation of the Company and, save as described in paragraphs 3 and 6(b) of this Part III, none is intended to be paid or given.

(e) The Hongkong and Shanghai Banking Corporation, of which HongkongBank is a subsidiary, intends to apply for 35,000 Units for investment purposes, of which not less than 26,250 will be accepted in full (representing 5.25 per cent. of the Ordinary Shares and the Loan Stock). HongkongBank holds 66,667 Ordinary Shares.

Save as disclosed above the Directors are not aware of any other person who, following the Offer for Subscription, would be required to disclose an interest in the ordinary share capital of the Company under Part VI of the Companies Act 1985.

(f) The aggregate of the amounts payable to the Directors for the period ending 30 September, 1986, is estimated to be £250,000 excluding pension contributions and bonuses. Mr. M. F. Stonefrost will not receive any fees or emoluments from the Company before 1 April, 1986.

5. Senior Executive Share Option Scheme

The principal terms of the Scheme, which are subject to any amendment necessary to obtain Inland Revenue approval under the Finance Act 1984, are as follows:—

(a) All full-time employees and Directors and those of any subsidiary companies which the Company may acquire and which the Directors resolve are to be included in the Scheme ("participating subsidiaries") will be eligible to participate.

(b) Invitations to apply for options may be issued not more than twice in any calendar year, during the six week periods following publication *of the Company's interim report and preliminary results. Invitations may also be issued within six weeks after the approval of the Scheme* by the Inland Revenue. The Directors have a discretion as to whether to issue invitations in any year.

THE NATIONAL HOME LOANS CORPORATION plc

(c) The consideration payable to the Company on the grant of an option is £1.

(d) The subscription price of each Ordinary Share placed under option will be determined by the Directors but will be (i) not less than the higher of the market value of an Ordinary Share as derived from The Stock Exchange Daily Official List for the last dealing day but two before the date of the invitation to apply for the option, and the nominal value of an Ordinary Share; or (ii) where there is no such quotation not less than the market value of an Ordinary Share on the third day before the date of the invitation to apply for the option as agreed with the Inland Revenue.

(e) No participant may be granted an option over Ordinary Shares if the aggregate subscription price of the Ordinary Shares comprised in all options (other than options granted under a savings-related share option scheme) granted to him within the past ten years would exceed four times his relevant earnings for the current or preceding year of assessment, whichever is the greater.

(f) There are three limits on the total number of Ordinary Shares over which options may be granted under the Scheme. First, the number of Ordinary Shares placed under option under the Scheme itself must not exceed 2,503,333 or five per cent. of the issued ordinary share capital of the Company from time to time. Secondly, the number of shares placed under option under the Scheme at any time, when added to the number of shares in the Company issued or placed under option in the preceding ten years under any other employee share schemes established by the Company, must not exceed ten per cent. of the issued ordinary share capital at that time. Thirdly, the number of shares issued or placed under option in any three year period under all employee share schemes established by the Company (including the Scheme), *must not exceed three per cent. of the issued ordinary share capital. Exceptionally, during the first three years of the Scheme, up to five per* cent. of the issued ordinary share capital from time to time may be used for employee share schemes provided that not more than three per *cent.* is placed under the Scheme itself.

The Directors may adjust the total number of Ordinary Shares available for issue under the Scheme to take account of reorganisations of the Company's share capital, *but* cannot change the percentage limits without the approval of the shareholders.

(g) Options will be personal to the option holders to whom they are granted and will not be transferable except to the personal representatives of a deceased option holder.

(h) Options will not be exercisable in any circumstances prior to 1 October, 1986, and subject to the following exceptions, will not be exercisable less than three or more than ten years after they are granted. The personal representatives of a deceased option holder will be able to exercise the deceased's options within twelve months of his death. Option holders who leave the employment of the Company or any participating subsidiary owing to injury, disability, redundancy or retirement will be able to exercise their options at any time during the period ending on the earlier of (i) twelve months after their leaving (or, if later, 42 months after the date of grant of the options) and (ii) the end of the ten year exercise period mentioned above. Except as provided above, option holders who cease to be employed by the Company or any participating subsidiary will normally forfeit their options. The Directors have, however, a discretion to permit such option holders to exercise options which they have held for three years during the period ending on the earlier of (i) six months after their leaving and (ii) *the end of the ten year exercise period.*

There are also provisions for the early exercise of options in the event of a take-over of the Company, a scheme of arrangement under section 425 of the Companies Act 1985 or the voluntary winding up of the Company.

(i) Ordinary Shares issued on the exercise of options will rank equally with other fully paid Ordinary Shares in issue on the date of such exercise (save as regards any rights attaching to those shares by reference to a date prior to the exercise).

(j) Application will be made to The Stock Exchange for the Ordinary Shares issued on the exercise of options to be listed.

(k) Except in the case of an amendment which is necessary or desirable in order to obtain or continue Inland Revenue approval, no alteration may be made to the Scheme which is to the advantage of participants and concerns, *inter alia*, any of the following matters without the prior approval of the shareholders:—

(i) the persons eligible to participate in the Scheme;
(ii) the total number of shares over which options may be granted under the Scheme;
(iii) the maximum number of shares over which options may be granted to an individual participant under the Scheme;
(iv) the amount payable on the grant of an option;
(v) the method of determining the subscription price under an option; and
(vi) the rights attaching to shares issued on the exercise of options.

In addition, no amendment may be made at a time when the Scheme is approved by the Board of Inland Revenue without the prior approval of the Board of Inland Revenue to the amendment.

(l) No option may be granted under the Scheme more than ten years after the date of the Scheme's approval by the shareholders.

On 10 September, 1985 the Company submitted the Scheme to the Inland Revenue for approval under section 38 and schedule 10 Finance Act 1984.

6. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:—

(a) the Underwriting Agreement referred to in paragraph 3 above;

(b) the Agreement dated 10 September, 1985 between the Company, Cipfa Services and Cipfa Holdings Limited whereby the Company has appointed Cipfa Services to assist it in dealings with public sector authorities for a period of three years commencing 1 October, 1985 for a fee of ⅛ per cent. of the principal amount paid, lent or advanced by the Company in respect of mortgage loans granted to replace mortgage loans granted by a public sector authority or granted at the request or introduction of a public sector authority. The agreement may be terminated by the Company or Cipfa Services in certain circumstances. This agreement is conditional on the Ordinary Shares being admitted to listing not later than 3 October, 1985; and

(c) a Trust Deed dated 10 September, 1985 made between the Company and Eagle Star Trust Company Limited constituting the Loan Stock.

7. Taxation of dividends and distributions

(a) Under current United Kingdom tax legislation, the payment of a dividend by the Company will give rise to a liability to account to the Inland Revenue for an amount of Advance Corporation Tax ("ACT") at a rate which is currently 3/7ths of the dividend paid. Consequently, *the ACT liability with respect to a dividend currently equals 30 per cent. of the sum of the cash dividend plus the ACT*, but the amount of any tax credit attaching to dividends received from United Kingdom resident companies may be set against the liability to ACT. For non-corporate shareholders resident in the United Kingdom, an amount equal to the ACT liability is available as a tax credit. Any such shareholder who is liable to income tax on the dividends may set the tax credit off against that liability or, in appropriate cases, reclaim the credit in cash. A United Kingdom resident corporate shareholder will not be liable to United Kingdom corporation tax on any dividend received. Persons should consult their own tax advisers about their personal situations and the possibility of claiming tax credits equivalent to the ACT paid on the dividend.

Whether a shareholder who is resident in a country other than the United Kingdom is entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax convention or agreement which exists between that country and the United Kingdom.

(b) The Company's income after deducting management expenses and excluding dividends received from other United Kingdom resident companies will be subject to United Kingdom corporation tax.

(c) The Directors consider that the Company will not be a close company following the completion of this Offer for Subscription.

(d) In the event of a winding up of the Company the Directors have been advised that, under present law, the receipt of distributions in the liquidation of the Company would normally give rise to a disposal or part disposal of shareholdings in the Company for the purposes of United Kingdom taxation of chargeable gains.

(e) Shareholders may be liable to United Kingdom taxation on chargeable gains arising from the sale or other disposal of Ordinary Shares and/or Loan Stock.

(f) The Company will be required to deduct income tax at the basic rate (currently 30 per cent.) from payments of interest made in respect of the Loan Stock. The tax withheld can be set-off against the total United Kingdom income or corporation tax liability of the holder, or, if the holder has no overall United Kingdom tax liability owing to his particular circumstances he may be able to reclaim the income tax withheld from the Inland Revenue. A holder of the Loan Stock resident outside the United Kingdom may be exempt from Income Tax on *the interest under the terms of an applicable double tax convention and consequently able to reclaim the tax withheld whatever his overall* United Kingdom tax position.

(g) Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible applicability of the provisions of any double tax convention or agreement which exists between their country of residence and the United Kingdom to a dividend, *distribution or payment of* interest received from the Company. They should also consult their own tax advisers on the procedure for claiming from the Inland Revenue payment of the amount of any tax credit to which they are entitled *in respect of a dividend, distribution or payment* of interest and as to the relief or credit which may be claimed in the jurisdiction in which they are resident.

8. General

(a) The Company has not since its incorporation been engaged in and is not currently engaged in any legal or arbitration proceedings nor, so far as the Directors are aware, are there any legal or arbitration proceedings pending or threatened against the Company, which may have *a significant effect on the Company's position.*

(b) Touche Ross & Co. has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its Accountants' report set out above in the form and the context in which it is included.

(c) Cipfa Services has given and not withdrawn its written consent to the issue of this document with the inclusion therein of references to it in the form and context in which they appear.

(d) The Company does not yet have a principal place of business. Apart from the Directors details of whose service agreements are given in paragraph 4 (b) above, the Company has no employees. The Company does not have any subsidiaries.

(e) Each dividend on the Ordinary Shares will be paid to those holders of Ordinary Shares on the register of members on the record date for such dividend. Such record date will normally be 4 to 6 weeks before the date of payment.

9. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Freshfields, Grindall House, 25 Newgate Street, London EC1A 7LH and at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted) for 14 days after publication of this document:—

(a) the Memorandum and Articles of Association of the Company;
(b) the report from the Accountants set out above;
(c) the service agreements referred to in paragraph 4(b) above;
(d) the rules of the Senior Executive Share Option Scheme referred to in paragraph 5 above;
(e) the material contracts referred to in paragraph 6 above; and
(f) the consents referred to in paragraphs 8(b) and 8(c) above.

Dated 11 September, 1985.

Terms and Conditions of Application

(a) The contract created by acceptance of applications in the manner herein set out will be conditional upon all the partly paid Ordinary Shares of 75p each in The National Home Loans Corporation plc ("the Company") and the £50,000,000 nominal of partly paid 8 per cent. Convertible Unsecured Loan Stock 2005 in the Company ("Loan Stock"), issued and to be issued, being admitted to the Official List of The Stock Exchange and such admission becoming effective *in accordance with The Stock Exchange's* rules not later than 3 October, 1985. If HongkongBank Limited rescinds the Underwriting Agreement in accordance with its terms, the said contract will also be rescinded without liability. Application moneys will be returned (without interest) if such permission does not become effective by that date or if such contract is so rescinded and, in the meantime, will be retained by Midland Bank plc in a separate account.

(b) The right is reserved to reject in whole or in part or to scale down any application and, in particular, multiple or suspected multiple applications and to present for payment any cheques or banker's drafts received. If any application is not accepted in whole or in part or is scaled down the application moneys or, as the case may be, the balance thereof, will be returned (without interest) by returning the applicant's cheque or banker's draft or by crossed cheque in favour of the applicant(s) through the post at the risk of the person(s) entitled thereto.

(c) By completing and delivering an Application Form, you (as the applicant(s)):—

(i) offer to subscribe for the number of units (each a "Unit") comprising 100 Ordinary Shares of 75p each *in the Company* ("Ordinary Shares") and £100 nominal of Loan Stock payable as to £100 on application (to satisfy *in part* an issue price of 100p per Ordinary Share leaving 50p nominal value subject to call and an issue price of £100 per £100 nominal of Loan Stock leaving £50 per cent. subject to call) as is specified in your Application Form (or such smaller number of Units for which the application is accepted) subject to the prospectus relating to the Company dated 11 September, 1985 (the "Prospectus"), these terms and conditions and, in the case of the Ordinary Shares, the Memorandum and Articles of Association of the Company and, in the case of the Loan Stock, the Trust Deed constituting the Loan Stock;

(ii) authorise Midland Bank plc to send separate Letters of Allotment for the number of partly paid Ordinary Shares and nominal amount of partly paid Loan Stock for which your application is accepted, and/or a crossed cheque for any moneys returnable, by post, at the risk of the person(s) entitled thereto, to your address (or that of the first-named applicant) as set out in your Application Form and to procure that your name (together with the name(s) of any other joint applicant(s)) is/are placed on the Register of Members and Register of Loan Stockholders of the Company in respect of such Ordinary Shares and Loan Stock respectively the entitlement to which has not been duly renounced;

(iii) agree that, in consideration of the Company agreeing that it will consider and process applications for the partly paid Ordinary Shares and partly paid Loan Stock the subject of the Offer for Subscription in accordance with the Prospectus, your application shall not be revoked until after 3 October, 1985 and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, as the case may be, receipt by *Midland Bank plc* of your Application Form;

(iv) warrant that your remittance will be honoured on first presentation;

(v) agree that any Letter of Allotment and any moneys returnable to you may be retained by *Midland Bank plc* pending clearance of your remittance;

(vi) agree that all applications, acceptances of applications and contracts resulting therefrom under the *Offer for Subscription* shall be governed by and construed in accordance with English Law;

(vii) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you *have due authority to do so;*

(viii) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof shall have any liability for any such other information or representation; and

(ix) undertake to the Company to pay when due the amount of the issue price outstanding on the Ordinary Shares and/or Loan Stock in respect of which your application is accepted and the right to which has not been effectively renounced or transferred by you prior to the relevant time and date.

(d) Acceptance of applications will be effected at the election of the Company either by notification of the basis of allocation to The Stock Exchange or by the determination of the number of Units for which application is accepted pursuant to the arrangements between the Company and Midland Bank plc.

(e) All documents and cheques sent by post will be at the risk of the person(s) entitled thereto.

(f) No person receiving a copy of the Prospectus, or an Application Form, in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Form could lawfully be used without contravention of any registration or other legal requirements. Any person outside the United Kingdom wishing to make an application hereunder must satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other requisite formalities, and paying any issue, transfer or other taxes due in such territory.

Copies of the Prospectus (which comprises listing particulars with regard to the Company in accordance with The Stock Exchange (Listing) Regulations 1984) and the Application Form can be obtained between 11 September, 1985 and 17 September, 1985 from the registered office *of the Company and from:—*

HongkongBank Limited	James Capel & Co.	Midland Bank plc
Wardley House,	Winchester House,	Stock Exchange Services Department,
7 Devonshire Square,	100 Old Broad Street,	Mariner House,
London EC2M 4HN	London EC2N 1BQ	Pepys Street,
		London EC3N 4DA

and from the following branches of Midland Bank plc, Clydesdale Bank PLC and Northern Bank Limited:—

London	— Poultry and Princes Street, EC2	Exeter	— 38 High Street
	— 5 Threadneedle Street, EC2	Glasgow	— St. Vincent Place
	— 133 Regent Street, W1	Jersey	— 8 Library Place, St. Helier
Belfast	— 183 Donegall Square West	Leeds	— 33 Park Row
Birmingham	— 130 New Street	Liverpool	— 4 Dale Street
Bradford	— 34 Kirkgate	Manchester	— 100 King Street
Bristol	— 49 Corn Street	Newcastle	— 42 Grey Street
Cardiff	— 56 Queen Street	Southampton	— 165 High Street
Edinburgh	— 29 George Street		

Procedure for Application

1. Applications must be made in respect of units (each a "Unit") comprising 100 Ordinary Shares and £100 nominal of Loan Stock payable as to £100 on application (to satisfy *in part* an issue price of 100p per Ordinary Share, leaving 50p nominal value subject to call, and of £100 per £100 nominal of Loan Stock, leaving £50 per cent. subject to call).

2. Insert in Box 1 (in figures) the number of Units for which you are applying. Applications must be for a minimum of one Unit or in one of the following multiples:

—for more than one Unit but not more than 100 Units, in a multiple of one Unit
—for more than 100 Units but not more than 1,000 Units, in a multiple of 10 Units
—for more than 1,000 Units in a multiple of 100 Units

3. Insert in Box 2 (in figures) the amount of your cheque or banker's draft.

The amount of your cheque or banker's draft should be £100 per Unit multiplied by the number of Units inserted in Box 1.

4. Sign and date the Application Form in Box 3.

The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised to do so, but the power(s) of attorney must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.

5. Put your full name and address in BLOCK CAPITALS in Box 4.

6. You may apply jointly with other persons.

You must then arrange for the Application Form to be completed by or on behalf of each joint applicant (up to a maximum of three other persons). Their full names and addresses should be put in BLOCK CAPITALS in Box 5.

7. Box 6 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 4 and sign in Box 3).

If anyone is signing on behalf of any joint applicant(s), the power(s) of attorney must be enclosed for inspection.

8. You must pin a separate cheque or banker's draft to each completed Application Form. Your cheque or banker's draft must be made payable to *Midland Bank plc for the amount payable on application inserted in* Box 2 and should be crossed "Not Negotiable".
No receipt will be issued for this payment

Your cheque or banker's draft must be drawn in pounds sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided by the members of those Clearing Houses.

Applications may be accompanied by a cheque drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the persons named in Boxes 4 and 5.

You must send the completed Application Form by post, or deliver it by hand, to Midland Bank plc, Stock Exchange Services Department, Mariner House, Pepys Street, London EC3N 4DA so as to be received not later than 10 a.m. on 17 September, 1985.

If you post your Application Form, you are recommended to use first class post and to allow at least two days for delivery.

BASIS OF ACCEPTANCE AND DEALING ARRANGEMENTS

The application list will open at 10 a.m. on 17 September, 1985 and will close as soon thereafter as the Company may determine. The basis on which applications have been accepted will be announced as soon as possible after the application list closes. It is expected that separate renounceable Letters of Allotment in respect of partly paid Ordinary Shares and partly paid Loan Stock will be posted to successful applicants on 24 September, 1985 and that dealings in the partly paid Ordinary Shares and partly paid Loan Stock will commence separately on 26 September, 1985.

Arrangements have been made for separate registration of all the partly paid Ordinary Shares and partly paid Loan Stock now being offered for subscription, free of stamp duty and registration fees, in the names of successful applicants or persons in whose favour Letters of Allotment are duly renounced provided that, in cases of renunciation, Letters of Allotment (duly completed in accordance with the instructions contained therein) are lodged for registration by 3.00 p.m. on 13 November, 1985. Partly paid Share and Loan Stock certificates will be despatched on or about 11 December, 1985.

THE NATIONAL HOME LOANS CORPORATION plc

APPLICATION FORM

Offer for Subscription of 50,000,000 partly paid Ordinary Shares of 75p each in The National Home Loans Corporation plc (the "Company") and of £50,000,000 partly paid 8 per cent. Convertible Unsecured Loan Stock 2005 of the Company ("Loan Stock") in Units (each a "Unit") comprising 100 Ordinary Shares of 75p each in the Company ("Ordinary Shares") and £100 nominal of Loan Stock at a price per Unit of £200 payable as to £100 on application (to satisfy *in part* an issue price of 100p per Ordinary Share leaving 50p nominal value subject to call, and an issue price of £100 per £100 nominal of Loan Stock, leaving £50 per cent. subject to call)

I/We offer to subscribe for ____ **1**

Units (or such lesser number in respect of which this application may be accepted)

and I/we attach a cheque or banker's draft for the amount payable, namely £ ____ **2**

Dated ____ 1985 Signature ____ **3**

PLEASE USE BLOCK CAPITALS

Mr., Mrs., Miss or title Forename(s) (in full)
Surname
Address (in full)
Postcode **4**

→ ☐ Pin here your cheque/banker's draft for the amount in Box 2

FOR OFFICIAL USE ONLY
1. Acceptance Number
2. Shares allocated
3. Loan Stock allocated
4. Amount received £
5. Amount payable £
6. Amount returned £
7. Cheque Number
8. Split/Reg'n

Fill in this section only when there is more than one applicant. The first or sole applicant should complete Box 4 and sign in Box 3. Insert in Box 5 below only the names and addresses of the second and subsequent applicants, each of whose signature is required in Box 6.

PLEASE USE BLOCK CAPITALS

Mr., Mrs., Miss or title Forename(s)	Mr., Mrs., Miss or title Forename(s)	Mr., Mrs., Miss or title Forename(s)
Surname	Surname	Surname
Address	Address	Address
Postcode	Postcode	Postcode **5**
Signature	Signature	Signature **6**

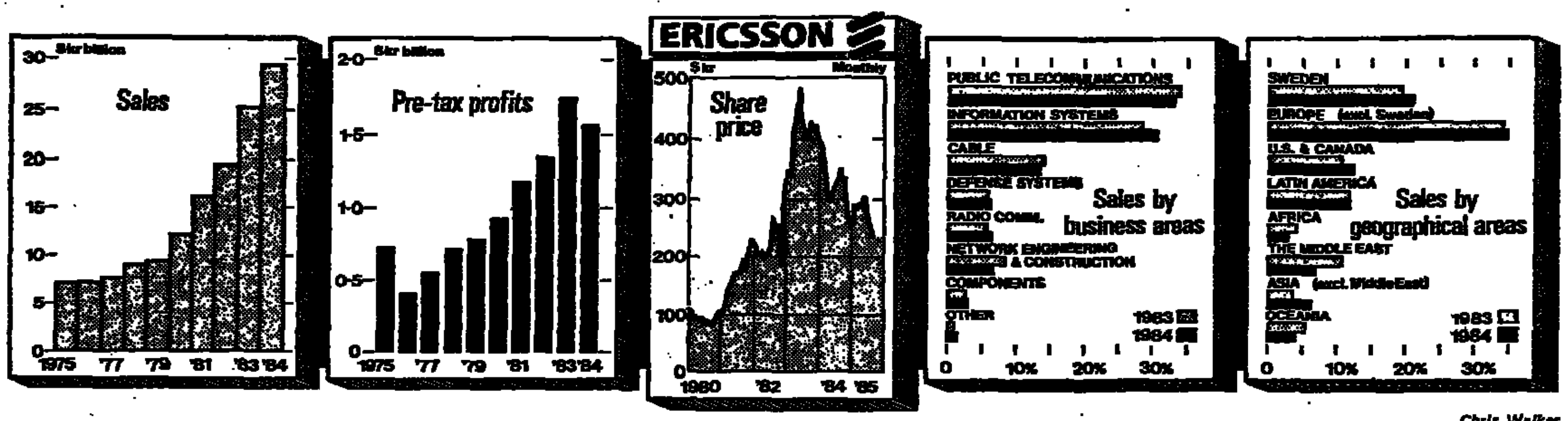
THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

L. M. Ericsson

Why a Swedish giant stumbled

Kevin Done, in Stockholm, on the telecommunications group's faltering moves into information technology



Chris Walker

"WE TRIED to run before we had properly learned to walk," says *Björn Svedberg, managing* director of Ericsson.

In the 1970s and early 1980s Sweden's telecommunications giant succeeded in outpacing virtually all its international competitors in the race to develop digital public telephone exchanges—its world-beating AXE system is now either installed or on order in 61 countries.

But the group has stumbled badly in its attempt to sprint into the beckoning new age of information technology and is being forced to pare down its ambitions in information systems. Similarly, its drive into the huge U.S. market is being constrained, although it is being forced to stake ever increasing sums on its entry into that market—and the outcome of the gamble remains uncertain.

Ericsson is far from unique in finding it much harder than expected to harness profitably the glamorous promise of information technology markets. Other companies which have *encountered disappointments in* office automation include Northern Telecom of Canada, Exxon the U.S. oil group and Volkswagen of West Germany.

But the problems at Ericsson, considered one of the best managed companies in its industry, are also a worrying omen for other European manufacturers such as France's Cit Alcateil, Siemens of West Germany and Britain's Plessey. All have long depended heavily on their national public telecommunications markets, but tougher conditions are forcing them to venture into new and unfamiliar areas where risks are often high.

In recent weeks the Ericsson share price has bumped along at a new three-year low (though a minor recovery has been seen just recently) as the group prepared to report a cut of one-third in first-half profits. Ericsson's 1984 results had already gone badly awry as profits plunged *instead* of producing the 20 per cent increase previously forecast.

The group's forward rush has been checked as it has met the back-lash from launching information systems products on the market before they were properly tested. Production has been dammed up by a need to sort out far-reaching programme failures in installations already in place.

The group's balance sheet has been badly strained. Inventories and customer receiveables have swelled with delayed deliveries forcing a big jump in expensive short-term borrowing. The information systems division, Ericsson's big hope for the future, plunged into loss in the second half of 1984 and has remained stubbornly in the red this year.

Ericsson management has set about with a will to pull the group back on course, but it is clear that they have been badly jolted. The year 1984 was "a year in paranthesis," Björn Svedberg told shareholders in April, but it now seems that it could take rather longer before the brackets can be closed.

"If we did anything wrong it was maybe not to focus on a smaller number of products and markets," says Svedberg. "We will not fall into that trap again, but it is a two-year programme (1985-86) to get out of it."

Decisions

Some five years ago, with the AXE system launched and well on its way to winning broad acceptance from the world's telephone administrations, Ericsson made two major strategic decisions:

- to attack the fledgling information industry; and
- to attack the U.S. market.

With its technical expertise in developing digital public telecommunications systems it believed that it had one of the most important building blocks of developing advanced integrated information systems for private customers in international markets.

The group concluded that a pre-condition for success was a significant presence in the U.S., in the market that would be the driving force in the development of the new information industry and which would provide a substantial part of its customers.

Ericsson drew up ambitious plans aimed at transforming itself from an advanced but relatively "pure" telecommunications group into a "technical information company."

It chose to develop and produce itself almost the whole range of products for the automated office from private subscriber exchanges (PABXs) and data terminals to personal computers, electronic typewriters and even office furniture.

It opted bravely for domestic acquisitions rather than international partnerships to fill the gap in its own product range. With effect from the beginning of 1981 it took over Datasaab, a Swedish manufacturer of data terminals, minicomputers and banking systems.

At the beginning of 1983 it followed up with the take-over of Facit from Electrolux. Facit brought into Ericsson products such as printers, typewriters, calculators and even office furniture. Ericsson itself brought to the information systems venture its existing products such as digital subscriber exchanges, data packet switching, telephone instruments and intercom systems.

To help build its base in the U.S. Ericsson chose in mid-1980 to form a partnership with a U.S. oil company, Atlantic Richfield (Arco), rather than a U.S. computer or electronics concern. Ericsson Inc—formerly called Anaconda-Ericsson—*is a* 50:50 joint venture in which Ericsson alone has the clear responsibility for management and the development of future products. Given Arco's recent moves to sell of peripheral businesses, the future of this co-operation appears uncertain.

Ericsson has otherwise largely tried to go it alone, although in 1983 it did enter into a joint venture with Honeywell in the U.S. to develop Ericsson's new MD 110 private branch exchange for the U.S. market.

From 1980, when sales of subscriber exchanges, telephone instruments and intercom systems accounted for only 12 per cent of Ericsson's total sales of SKr 12.2bn (£1.1bn), the information systems division has jumped to a turnover last year of SKr 9.3bn or 30.4 per cent of group turnover of SKr 29.4bn. Over the same five years sales in North America have jumped from 5.6 per cent to 12.3 per cent of Ericsson group turnover.

Sales have grown apace but the profits have been sadly lacking. In the U.S. Ericsson's share of losses from 1981-83 was SKr 500m. In 1984 it had to carry losses of SKr 353m and its share of the continuing U.S. deficit in the first half of 1985 was SKr 171m.

The joint venture with Atlantic Richfield was formed around the idea of merging Ericsson's cable operations in Brazil, Mexico, Argentina and Colombia with the Anaconda Wire and Cable division of Atlantic Richfield. "The idea *was that cable would continue* to generate the cash needed for investment in the new fields," says Hakin Ledin, now chairman and chief executive of Ericsson Inc, but until last autumn also head of Ericsson Information Systems.

Unfortunately for Ericsson no one had foreseen the recession in the U.S. economy in the early 1980s. "The market for cable fell flat, volumes dropped and prices fell," says Ledin. "Instead of contributing cash, cable consumed cash in the form of losses, and we still had the investments for the new fields, especially in communications systems."

Far more serious problems have hit information systems, whose sales are now almost as large as the traditional public telecommunications area but which slumped into operating losses of SKr 217m last year compared with profits of SKr 237m in 1983. EIS was still running up heavy losses in the first half of 1985.

The merger of the three separate Ericsson, Datasaab and Facit units in Sweden and abroad has gone badly.

The alarm bells began ringing in the third quarter last year. "We ran into trouble with the products," says Stig Larsson, who last October was drafted in as managing director of Ericsson Information Systems. "EIS had been giving out products too early. They should have been more carefully tested, but the operation was too focused on giving out new products to raise volumes."

The products most affected were Ericsson's MD 110 private branch exchange, one of its key strategic products for breaking into the information systems industry, and its new banking terminals system 2500.

Ericsson ran into heavy criticism for delays and faults, not least from Televerket, the Swedish PTT.

Ericsson has been working hard to produce a modified software package cleaned of faults. Larsson claims that the work has been successful, but it is still expected to take at least to the end of the year for all the installed exchanges to be put into full working order.

Shortage

The delays and faults in the construction programme were exacerbated by a serious shortage of components during the autumn and the launch of Ericsson's personal computer (PC) was also dogged by problems. No sooner had these been dealt with than the bottom dropped out of the PC market, particularly in the U.S.

Ericsson's competitors such as ITT and Wang have been equally hard hit. Ericsson planned to sell 15-20,000 PCs in the U.S. this year. So far it has sold 3,000 and thinks it will now be lucky to exceed 6,000 for the year. Since June production at its PC plant in southern Sweden has been shut down and is not expected to resume before early 1986. It has some 25,000 in stock, which is its projected sales figure (revised down from 50-10,000) for the next 18 *months*.

The blows of recent months have forced Ericsson to make a drastic re-appraisal of its *strategy for both information* systems, and the U.S. Remedial actions include:

- Ericsson Information Systems is to be re-organised into three divisions for (1) communications, (2) data systems and (3) office equipment. Larsson admits it is "back to basics." Each division will have its own production, marketing and development staffs.
- Office equipment—originally Facit — with typewriters, printers, calculators and furniture, has been separated out and Ericsson is looking for an international partner.
- EIS is to focus now on key products and key markets. It has given up 50 countries for the selling of typewriters and 11 countries for MD 110 PABXs, for example.
- In the U.S. "there will no longer be an attempt to sell the integrated office," says Larsson. EIS's U.S. workforce is to be almost halved from 1,100 and 600. EIS selling in the U.S. will be concentrated on the MD 110 and banking terminal systems.
- In Western Europe EIS will continue to sell the full range of office products, but Larsson accepts that "the integrated office is not coming as soon as we expected." He expects more co-operation pacts with other manufacturers, and Ericsson is also likely to seek more OEM equipment for sale under its own label. A future generation of PCs is a likely candidate.

The backbone of the Ericsson concern remains public telecommunications. It accounted for 87.6 per cent of group operating profits last year and 32 per cent of sales. With the break-up of the Bell system monopoly in the U.S. Ericsson is gambling heavily on winning acceptance for its AXE system in the U.S. market, which now represents about a quarter of the world *market for telephone exchanges.* Smaller AXE switching systems already form the core of its break-through in the North *American market for cellular* radio.

To adapt the AXE system to U.S. market specifications Ericsson has established a research and support centre in Dallas with more than 200 programmers and engineers. The group is staking some $50-60m on winning acceptance for AXE from some of the seven Bell operating companies, and its hopes have been strengthened since it beat both Northern Telecom and AT & T/Philips for the prestigious order from British Telecom earlier this year to become the UK's preferred second supplier.

Business courses

Scientific Forecasting to Achieve Improved Results, London International Hotel September 26. Fee: £105 plus VAT for IM Members, £120 plus VAT non-members. Details from College of Marketing, Moor Hall, Cookham, Berkshire, SL6 9QH Tel: (062 85) 24922.

U.S. Defence Subcontracting, The Selfridges Hotel, London, October 2-4. Fee: £495 plus £74.25 VAT/£520 plus £78 VAT after September 18, 1985. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Comunications, Vernon House, Sicilian Avenue, London, WC1A 2QT Tel: 01-242 4111.

Predicting and Preventing Corporate Failure, 8-9 New Street, London, October 8-9. Fee: £295 plus VAT. Details from the course secretary, D. C. Gardner and Company, 5-6 Bartholomew Place, London, EC1A 7HH. Tel: 01-606 7644-5-6.

The Treasury Cycle, Tower Hotel, London, October 16-17. Fee: £370 + £55.50 VAT, £390 + £58.50 VAT after October 2. *Details from Miss J. K. Van* Wycks, Seminar Division, Crown Eagle Communications Ltd, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111.

Personal Computer Networks, Novotel, Amsterdam, October 10-11, and in London, October 14-15. Fee £510 in both cases. Details from Course Secretary, CGS Institute, Russell House, Russell Street, Windsor, Berkshire SL4 1HQ. Tel: 07535 58811.

Software for Personal Computer Networks, London, October 16-17. Details from the Course Secretary, CGS Institute, Russell House, Russell Street Windsor, Berkshire SL4 1HQ. Tel: 07535 58811.

Containment of Major Hazards —A Challenge to The Engineer, London, October 23. Fee £10. Details from Miss G. Stannett, The Fellowship of Engineering, 2 Little Smith Street, Westminster, London SW1P 3D1. Tel: 01-222 2688.

Sponsorship — the 4th Arm of Marketing, Versailles, France, October 24-25. Fee: £325 (ESC Members £300) US$450 (ESC Members US$420). Details from Course Secretary, European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland LE15 9PY. Tel: 0572 822711.

Data Protection and Data Safeguarding at Systems 85, Munich, October 28—November 1. Details from Munchener Messe- und, Ausstellungsgesellschaft mbH, Messegeland Postfach 12 10 09, D-8000 Munchen 12, Tel 089 51 07 0.

TECHNOLOGY

EDITED BY ALAN CANE

U.S. still up and running in the megabit marathon

Louise Kehoe on AT & T's bid to stay in the vanguard of chip technology

U.S. semiconductor manufacturers may be down, but they are not out of the race with Japanese competitors. The announcement by American Telephone and Telegraph last week that it is ready to sell samples of a new megabit dynamic read and write memory (D-RAM) circuit puts the company among the front-runners in the next leg of the chip technology marathon.

AT & T, which began selling *semiconductor devices to outside* customers only two years ago, is the first U.S. company to reach this advanced stage in developing the *next generation* memory chip. Japanese companies have also announced products, but few are widely available, according to *industry* sources. (IBM has also built a megabit ram for its own use, but does not sell chips *on the open market.*)

Being an early leader does not assure success for AT & T in the D-RAM market. Indeed, making profits from selling D-RAMS has become almost as hard as designing the intricate devices. Even so, in the war of words between U.S. and Japanese chip makers, the AT & T announcement boosted flagging U.S. confidence.

"U.S. companies fell a year or two years behind the Japanese in the 256 K generation," says Mr William McClean of Integrated Circuit Engineering, a U.S. semiconductor industry research group. "The AT & T announcement shows that we are now close to equal —a few months back or less."

With four times the storage capacity of the most advanced 256 K D-rams currently available, the "megaram" represents a big advance in chip technology. As well as being able to hold more data, the megabit RAM "will *eventually* double processing speeds, cut memory cost by a factor of four and shrink desktop computers *to briefcase size*," predicts Mr John Nemecek, executive vice-president of AT & T's components and electronic systems division.

The availability of smaller, cheaper memory chips may also affect future computer architecture. Today's personal computers, for example, spend much of their time fetching data from the machine's internal memory (which is made of RAM chips) and depositing it onto a peripheral disk, or vice versa). With more memory, the number of routine switches is reduced.

"The megabit chip is to the 64K RAM—the memory chip used in most of today's computers—what the jet engine is to a propeller," explains Mr Vic Vyssotsky, executive director of Bell Laboratories' research information sciences division. "It gives the designer of a computer *greater flexibility*, because it stores more information using less power, space and fewer dollars than previous *memory chips, just* as the jet engine provided aeronautical engineers with a lighter, more powerful engine."

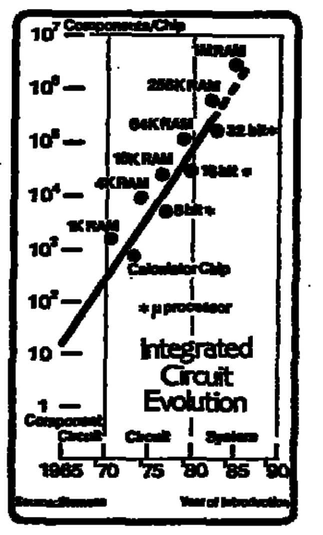
It will be another two or three years before megabit RAMS are widely used in computer products, according to Integrated Circuit Engineering. *Industry researchers note that* production of 64K RAMS peaked last year and computer makers are currently switching over to 256K RAMS.

Mr Will Strauss of Foreward Concepts, a market research company, says system designers will not be able to make the next jump—to the megabit RAM—as easily. "256K RAMS plug right into the same sockets as 64K devices, but the one megabits will have a different form factor," he points out.

The transition from one generation of memory chips to the next has been prompted by economic forces rather than the speed of technological development. Prices of "commodity" 64K RAMS have plunged over the past twelve months. The rapid decline has proved disastrous for U.S. companies such as Mostek and Micron Technology, both of which have seen profits disappear with falling product prices.

According to ICE, the dollar volume of 64K RAMS, sold this year will fall by a breathtaking 64 per cent *from last year's* peak of $2.3bn. Sales of the newer 256K IAMS will double to about $1.2bn. Falling 54K *RAM prices have* prompted chip makers to accelerate production of the 256K RAM, but now 256K RAM prices are *falling too.*

The semiconductor industry may be the only one imaginable where a brand new product, *incorporating the finest design* and manufacturing technology



available, could fall in price from an average $110 at the time of its introduction in 1983 to as little as $3.75 today.

After suffering the price decline cycle through three generations of RAMS, many U.S. chip makers have become disillusioned. National Semiconductor, for example, has delayed its entr yinto the market and Intel has still to make up its mind what to do with millions of dollar's worth of production equipment geared to making megabit RAMS. The company reportedly has a megabit chip, but is not sure whether it is worthwhile putting it into production.

Chip makers who have not yet introduced their 256K chips have little chance of recovering their development costs if they enter the market now. Some U.S. and European companies are expected to skip the 256K generation altogether and put their efforts into gaining a place in the megabit RAM market.

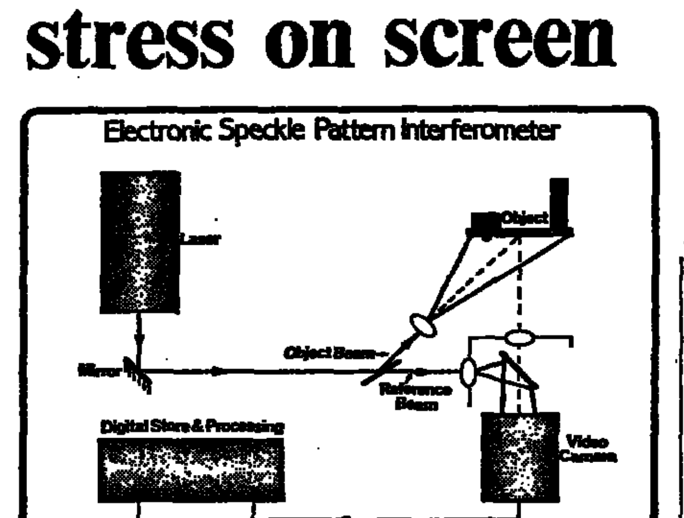
For AT & T, the greater *challenge of the "megaram"* race may be facing up to the rigours of the merchant market place rather than displaying its already-acknowledged *technical* prowess.

Testing stress on screen

ONE OF Britain's oldest optical equipment companies, Ealing Beck of Watford, has developed a laser-based system which *allows the tiny movements* caused by stress in engineering components to be seen, as they happen, on a television screen.

The system, called Vidispec, costs about £20,000 and is based on the results of a £1.5m research programme at Loughborough *University funded by* the Science and Engineering Research Council over about 10 years.

The mechanical engineering world is interested because Vidispec allows engineers to observe both static and vibrational effects in anything from a marine engine to a three inch loudspeaker—without attaching gauges or probes to the object under test. Contour lines of the stress patterns appear on the screen and the space between them gives a measure of the amount of in/out movement of the surface.



Engineers designing, say, part of a bridge or an aircraft, can calculate how the component should deform when specific loads are applied. With more difficulty, vibrational behaviour can be predicted since all rigid items, whatever their shape or size, have natural frequencies of vibration. An everyday example is a ruler, clamped at one end by the palm of the hand to the desk top and plucked at the other.

But with currently available methods, testing what actually happens to components when they are loaded or vibrated can be long and tedious. Holography, for example, needs extremely stable mechanical and thermal conditions. For photo-elasticity measurements, the test item must be coated with a transparent layer. In other methods, attaching strain gauges to the object under test affects its behaviour and obscures the results.

Vidispec is usable in normal room conditions and can be unpacked and installed in as little as 30 mins. It consists of an optical unit from which the laser beam is projected, housed in a cabinet measuring 615 x 385 x 203mm and weighing 22kg. Camera controls, electronics and power supplies are in another, similarly-sized, cabinet and a monochrome video monitor can be positioned to suit the operator.

The laser beam, which is a divergent cone of light and is therefore perfectly safe, can illuminate objects up to one metre square. It can detect movements at right angles to the illuminated surface as small as 0.3 millionths of a metre. With the maximum observable number of "contour" lines, (about 40 across the monitor screen), some 12 microns of movement can be measured.

Vidispec uses an phenomenon called optical interference (known for many years) in an arrangement called an interferometer. The Ealing Beck/Loughborough achievement has been to enable its effects to be seen on a TV screen.

The technique hinges on the availability of "pure" light of a single wavelength, which the laser can provide. Such light can be likened to waves on a pond made by a dropped stone. If two stones are dropped, at appropriate times, the peaks of one wave can be cancelled by the troughs of the other. Or, with different timing, the peaks will add to make bigger waves. It depends when each wave starts off.

With light, all the wave dimensions are in millionths of a metre, but the effects are the same. Light waves beamed at an object will be reflected at *slightly different times unless* that object is perfectly flat. They will travel different distances and produce different interference effects with a fixed wave, giving black or white areas or something in between.

In the laser interferometer, the effect is seen as a white on black speckled pattern. The equipment splits the beam into two. One part is projected to illuminate the object while the other stays in the optical head and forms a reference beam which illuminates the TV camera's sensitive surface direct. This interferes with the focussed image of the object provided by the other beam to produce a speckled pattern unique to the object at rest.

One TV frame of the "at rest" pattern is "captured" by the electronics and frozen in a chip memory. Then, when the object's surface moves in or out due to applied force, the new picture, which has a modified speckle pattern, is combined with the old in some special electronic processing circuits. This produces the characteristic fringe patterns which can then be displayed on the screen. Counting the number of fringes reveals the amount of movement.

In this way the patterns of flexing in say, part of an aircraft, can be seen as the force is altered. And since the processing is extremely rapid, a stream of frames from a vibrating object can be continuously combined with the reference to show, for example, how the cone of a loudspeaker is responding to particular musical notes applied to *its drive coil.*

One limitation of Vidispec is that both the optical head and the object under test must be mounted *on the same*, vibration-free surface. Ealing Beck can supply a 4 ft square table for about £3,500.

But that *restriction is minimal.* At Loughborough, complete engines have been mounted in this way and *examined successfully.* The university is also developing systems which can be used in the field and can simply be *pointed at the test object while* it is working.

The secret is to use a very short laser pulse to illuminate the object, making the system immune to ambient vibration. Commercialisation will take a year or two.

GEOFFREY CHARLISH

How Jotun is battling against barnacles

BARNACLES AND slime have always been about as welcome to shipowners as greenfly and mildew to rose fanciers. In the *shipowner's case*, marine fouling means rough, encrusted hulls—and the rougher the hull, the more fuel it needs to *maintain speed through* the water.

The business of anti-fouling treatments is a competitive one in which Jotun Marine Coatings, a Norwegian specialist company, claims a big advance with Seaconomy, *its* latest self-polishing anti-fouling paint.

Anti-fouling compounds depend on biocides to kill unwelcome marine organisms. The self-polishing sort introduced in the early 1970s is based on *organotin* biocides chemically bound to an acrylic "backbone." In contact with sea water, the biocide is released, the backbone dissolves or is washed away, and a fresh surface is exposed.

The structure of these paints also means that water turbulence tends naturally to even out pits and peaks in the paintwork.

These coatings marked an advance over conventional long-life anti-fouling preparations, but also cost a lot more. Jotun claims that a technological breakthrough has enabled it to produce a self-polishing paint costing no more than its conventional rival.

Until that breakthrough, says Dr Chris Sghibartz, Jotun's research and *development* manager for anti-foulings, the self-polishing action of paint could be achieved only if the *organotin copolymer contained* more than 50 per cent by weight of tributylin methacrylate. Jotun cut that level substantially.

The structure of tributylin methacrylate itself encourages the self-polishing effect — so with less acrylate in the paint, self polishing would be slower and less efficient.

Jotun added a new chemical to its low acrylate mix which, when immersed in sea water, encourages *self-polishing* and so restores the efficiency of the original self-polishing paint at a fraction of the cost.

Since Seaconomy was launched in February, Jotun says, more than 180 ships have been coated with it, most of them vessels which had previously been coated with the once-cheaper conventional sort.

Japanese herald the 4m-bit chip

WHILE U.S. technologists have developed commercial million-bit read-and-write memories (see article on this page), Japanese researchers at Mitsubishi claim to have developed a new process which should make possible four-million-bit chips.

The process converts silicon transistor electrodes into titanium silicide ones which can increase the operating speed of an ultra-large-scale integrated circuit by about 40 per cent.

Mr T. Matsukawa, a senior researcher at Mitsubishi, said the new electrodes have lower electrical resistivity making it possible to reduce circuit pattern or line width to below one micron.

IDC forecast on microcomputers

TRUE 32-bit microcomputers, tiny machines with the power and speed of mainframes, are unlikely to replace today's 16-bit machines quickly, according to a report from the International Data Corporation.

It suggests that 32-bit systems will constitute less than 5 per cent of the market even in 1990. IDC's argument stems from the fact that 16m 16-bit processors will have been shipped between 1984 and 1990, and users of 16-bit machines will find them more than adequate for their tasks.

***In 1984, 8-bit machines still* accounted for 47 per cent of all sales.**

Shining example

MACBETH, a company in *New York, is selling* a portable meter that quantifies the reflection from surface coatings such as varnishes, glazes, protective finishes and paint.

The meter, little bigger than a paperback book, beams light at an angle onto the surface and measures the proportion that is reflected back.

UK COMPANY NEWS

Jaguar's U.S. drive behind 54% rise

Jaguar's drive in the U.S. market enabled the luxury car group to clock up a 54.4 per cent profits increase to £63m for the first six months of 1985.

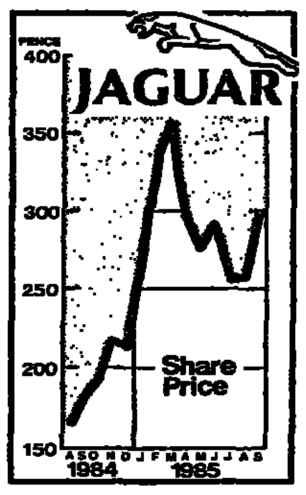
The result marks the group's first anniversary as a fully listed company following its sale by BL back to the private sector. Shareholders will receive a second interim dividend of 3p, making a 7.75p total.

Jaguar, which estimates that between 30 per cent and 40 per cent of its shares are held by U.S. investors, is pressing ahead with moves to get an over-the-counter quotation in the U.S. This could be completed before the end of the year.

Around 50 per cent of Jaguar's first half vehicle production of 20,195 units was absorbed by the U.S. which, aided by favourable exchange rates, accounted for an increased 71.3 per cent share of total turnover of £400.9m, up from the £302.2m for the corresponding six months.

Jaguar's biggest seller is its saloon (sales improved from 13,856 to 15,688 units) although sales of the XJS sports car improved by nearly a third to 3,737 and limousine sales rose from 80 to 105.

Total car production for 1985 is expected to reach 38,000 units. This compares with 33,437 in 1984, producing taxable profits of



£91.5m.

During the first half "Jaguar made good progress in laying the necessary foundations for a sound future, particularly in terms of creating a stronger technology base," says Mr John Egan, the chairman and chief executive.

He expects wholesale figures to be much in line with the production target with demand currently exceeding supply, although he warns that adverse movements on some exchange rates are being experienced.

This applies to the unhedged minority of U.S. dollar receivables, the Deutschmark and both Australian and Canadian dollars. First half sales in Germany, Australia and Canada rose by 52 per cent, 55 per cent and 30 per cent respectively.

Overall, Mr Egan says demand remains strong in all major markets for series III and XJS sports cars and stresses that the balance sheet is extremely strong.

Cash in hand at the end of June totalled £134m. This is an increase of £34m from six months previous and "a healthy position in the light of the company's demanding capital expenditure programme," which is expected to reach £60m this year.

Among projects in the pipeline is a £35m investment for an engineering centre in Coventry, which is expected to be announced in the next few months.

In addition to an improved first half operating profit margin of 14 per cent, against 13.5 per cent, Jaguar's results benefited from £6.1m (nil) of interest receivable — related companies

Mr John Egan, chairman, looking to produce 38,000 cars this year and pressing ahead with U.S. quotation plans

added £300,000 (nil).

Tax, reflecting a much higher UK charge, rose from £15.3m to £26.9m although this was offset by the absence of extraordinary items (debits of £14.5m last time),

See Lex

Hepworth Ceramic 32% lower at £13.5m midway

Hepworth Ceramic Holdings' pre-tax profits fell by 32 per cent from £20.06m to £13.54m in the six months to June 30 1985. Turnover was little changed at £190.85m, against £189.97m last time.

Mr Peter Goodall, the chairman, says that trading conditions in the first six months have followed very largely the pattern of the second half of 1984, except only that business in the first two months of the period was at a very low level due to extreme weather conditions.

Since April, however, there has been a good recovery and this is still continuing.

Although earnings per 25p share fell from a stated 7.4p to 4.5p, the interim dividend is being raised to 2.9p (2.75p) net—last year's total payment was 6.75p on £35.23m pre-tax profits.

Professor Roland Smith, the House of Fraser chairman, has been appointed to the board as a non-executive director, and Mr J. R. W. Ansdell has been appointed group finance director.

Interest charges for the period rose from £1.25m to £1.69m. After tax of £6.27m (£8.4m) and minorities, the attributable surplus came out at £7.15m (£11.65m).

• comment

A drop of a third in profits at Hepworth Ceramic appears severe but the latest figures have been dented by the extreme weather conditions of the first quarter and comparisons are being made with an exceptionally strong first half in 1984. The frosts of January and February drove a cart and horses through the sales expectations of the clay pipe division while a price war in plastic pipes piled on the problems. Refractories had to carry initial losses from the BSC plants bought early in the year with the added burden of some above the line rationalisation costs. But for that catalogue of factors interim profits might have been £15m to £16m. Anyway, all this was expected by the market and the shares barely budged with a 1p slip to 144p. Assuming the bulk of rationalisation costs are kicked below the line in the second half, full year profits could emerge around £32m to £34m putting the shares on a prospective p/e of around 12. The interim dividend was inched ahead yesterday which may be in mark of the forthcoming second half but might just have half an eye to the bid rumours that continue to dog the group's footsteps. The appointment of Prof Smith (who eventually could take the chair) puts in a man used to fighting off predators.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Appleyard Group ...int	1.5	Nov. 11	nil	—	3p
Banro Inds. ...int	1.8	—	0.58	—	4.3
Bridon ...int	1.5	Nov. 7	1.2	—	4
Biddle Hldgs. ...int	2.4	Nov. 7	2.4	—	10
Burmah Oil ...int	4.5	Dec. 31	3.5	—	10.75
City & Commercial ...int	2.22	—	1.9	—	3.62
Desouter ...int	2.5	Oct. 30	2.16	—	6.46
Don Brothers ...	4	—	3	6	4.5
DPCE ...	†2.2	Nov. 4	1.8	3	2.5
Robt. M. Douglas ...	1.75	Oct. 12	1.38	1.75	1.75
Estates Property ...	5.5	—	5.5	8.25	8.25
John Finlan ...	2	Oct. 30	*2	3.8	*3.5
James Fisher ...int	1.6	—	1.5	—	3.2
Fitch & Co. ...int	2	Oct. 31	1.7	—	5.31
Garnar Booth ...int	3.35	—	2.95	—	8.75
Grovebell ...int	0.25	Oct. 25	0.25	—	0.55
Hepworth Ceramic ...int	2.9	Nov. 11	2.75	—	6.75
Huntleigh Tech.‡ ...int	0.5	Oct. 31	—	—	—
Jaguar ...2nd int	3	Nov. 13	—	7.75	—
John Laing ...int	2‖	Nov. 6	1.75	—	6
MCD Group ...int	1.3	Nov. 29	1	—	3
London Shop ...	3.6	Nov. 7	*3.08	4.95	*4.41
London Utd. Invs. ...int	5	—	5	—	13
Oilfield Inspection‡ int	1	Nov. 7	nil	—	1
Prudential ...int	¶9	Nov. 14	7.5	—	22.5
Sedgwick ...int	†3.25	Oct. 25	3	—	10
Shell Transport ...int	12.5	Nov. 7	11.9	—	33
Stewart & Wight ...	15	—	13	15	13
Trade Promotion‡ ...	2.75	—	—	3.8	—
Telefusion ...	0.65	—	1.13	1.3	1.95
Turner & Newall ...int	1.35	Nov. 14	1	—	2.5
United Biscuits ...int	†2.85	Jan. 6	2.7	—	7.5
Thomas Walker ...	0.73	—	0.66	0.9	0.83

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock § Unquoted stock. ¶ To reduce disparity. ‖ Paid on ordinary and 'A' non voting.

Thorn EMI warns of continuing problems

By Jason Crisp

Thorn EMI, the troubled electronics and entertainments group, yesterday warned of continuing problems in the current years, but said it was increasing spending on research and development and would maintain last year's interim dividend on the expectation of an improved performance.

Speaking at the annual meeting, Sir Graham Wilkins, the new chairman and chief executive, said: "Many of the problems encountered by the company last year, especially those that are market-related, have inevitably continued into the current year and have had an adverse effect on trading profits."

Sir Graham was appointed in July after the company announced a sharp fall in profits. Yesterday's agm was his first real opportunity to comment on the group's prospects.

Sir Graham said Inmos, the microchip manufacturer, would "move towards breakeven" by the end of the financial year. The company has been making heavy losses because of the slump in the semiconductor industry and some product problems.

"Speedy action has been taken to reorganise management and reduce the workforce. We have also made a considerable step forward in achieving improved product quality and advancing the production of new high performance devices. Profitable progress beyond breakeven in 1986 will of course depend to a large extent upon a recovery in demand in the semiconductor industry."

He told shareholders that the current level of orders at Ferguson, the TV and consumer electronics company, were good.

He said that there had not yet been any improvement in the financial performance of EMI Music in North America.

Sir Graham said that "although the year's results to date had been very disappointing, September was the first month of the main consumer spending season in the run up to Christmas, and the directors were confident that an improved performance would be forthcoming.

Sedgwick up 21% with positive impact from U.S. merger

Sedgwick Group, Britain's largest independent insurance broker, yesterday unveiled a near 21 per cent interim profits improvement and claimed the merger with the U.S.-based Fred S. James Group has made a positive impact.

With a doubled contribution from North and South American operations, Sedgwick's taxable profits advanced from £62.5m to £75.4m for the first six months of 1985.

"There has been an immediate and positive impact on the interim results stemming from the completion of the merger," said Mr Carel Mosselmans, the chairman, adding that the Fred S. James Group "reported an excellent increase."

The result has been accompanied by a lift from 3p to 3.25p in the interim dividend with earnings per share up from 10.9p to 13.1p.

The chairman said that as anticipated a reduction of insurance capacity, particularly in the U.S., meant that rates started to rise." The hardening of the markets is affecting the results of all parts of the enlarged group with the impact being felt first in the North American market."

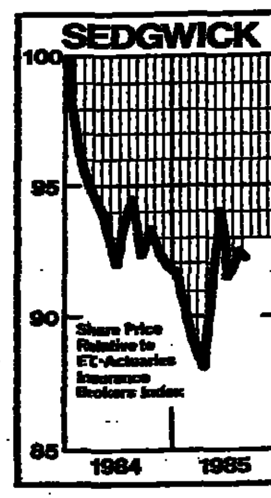
The benefit of a general increasing in rate level, he said, was however, not yet fully reflected Sedgwick Insurance Brokers' results although all trading companies in London had increased profits.

"Significant new business gains have been achieved particularly in the UK," he said, and the E. W. Payne Group, covering worldwide reinsurance broking, achieved a significant increase in new business, brokerage income and profits.

Lloyd's underwriting agencies produced a satisfactory result, and plans for the divestment of the Lloyd's managing agency activities were nearing completion. 'However, we will continue to expand and develop our members' agency activities," he said.

While there had been satisfactory revenue growth and increased profits from our worldwide insurance and reinsurance bokerage activities, he stressed that there were a number of factors which had limited profits growth during the period.

Positive and prudent action had been taken to increase the loss reserves of River Thames Insurance Company, which "reflects our view of the company's liabilities and follows the



pattern of the deteriorating results reported by other insurance companies in the market generally." As a result a pre-tax loss of £4.6m was incurred by this company.

The chairman said that the cost of the planned integration of the group's London properties and the completion of The Sedgwick Centre included external borrowing charges of £3m.

"The value of non-sterling earnings was affected by exchange rate fluctuations. Given Sedgwick's requirement ultimately to convert earnings into sterling, "it is our general policy to narrow the range of exchange risk by selling forward a proportion of our non-sterling earnings. The volatility of steling during this period has adversely affected our results," he said.

Looking ahead to the remainder of 1985, he said "the acquisition of the Fred S. James Group has added an important dimension to our business and has been greeted with real enthusiasm throughout the group.

"Market conitions are changing rapidly, but I am confident that we will be able to respond effectively. Our enlarged group is well positioned for the future and we will continue to expand our business worldwide."

Insurance and reinsurance broking income for the first half was up from £202.3m to £257.9m; Lloyd's and company underwriting agency income was down at £4.1m (£5.9m) but interest and investment income increased by £4.9m to £24.2m.

See Lex

UK COMPANY NEWS

Imperial's box of Famous Names

BY DAVID GOODHART

Famous Names, the specialist confectionery manufacturer with brands including Famous Names chocolate liquers, Elizabeth Shaw mint crisps and Holland toffees, has been bought by the Imperial Group in a £15.5m agreed deal.

Famous Names, which is unlisted, was formed in 1981 as a result of a management buy-out of the confectionery interests of Cavenham Foods. In the year to March 1985 it made pre-tax profit of £1.5m on a turnover of £25m and employs 650 people in Bristol and Southport.

Mr Michael Wilmot, who has led Famous Names over the past four years, will continue as managing director, but Imperial, which is conducting the deal through its Imperial Tobacco subsidiary, is making two appointments to Famous Names' board. Mr John Bloxcidge, Imperial Tobacco's managing director, takes over as chairman and Mr Angus Vine becomes a director.

Mr Bloxcidge said yesterday: "There is great scope in the market for high quality confectionery and Famous Names is the leader in several specialised fields. Our two markets, confectionery and tobacco, are closely linked, but Famous Names will retain its identity and operate as a quite seperate enterprise."

This is Imperial's first venture into the confectionery manufacturing market and Mr Geoffrey Kent, Imperial Group chairman, said yesterday: "The tobacco and confectionery markets are closely linked, particularly through their distribution channels and marketing skills."

The £8m buyout in 1981 was one of the first organised by Candover Investments and Henry Ansbacher. Candover said yesterday that its original £226,000 stake had been realised at about 10 times that. Other participants in the buy-out funding were: County Bank, Gresham Trust, Hill Samuel, Lazards, Prudential and Sumit.

Since the buy-out, Famous Names has invested heavily in new equipment and developed a number of new brands. It would have been floated if Imperial had not bought it.

Imperial's share price rose 4p yesterday to close at 186p.

Rowntree in disposal talks with Bassett

By David Goodhart

Rowntree Mackintosh the York-based confectionery manufacturer announced yesterday that it has started talks with Bassett Foods about the sale of its Anglo-Bellamy brands.

Anglo-Bellamy, which made about a £1m loss last year, makes bubblegum, Beech Nut chewing gum, Pontefract cakes and a number of children's confectionery lines, which have had declining sales for several years.

Last month Rowntree announced it was discontinuing the Anglo lines in its Castleford and Halifax plants, with about 350 redundancies.

Bassett will in effect be buying the brand names and some machinery. Production will be transferred to its two plants in Sheffield and Pontefract.

Mr Bev Stokes, chairman and chief executive of Bassett Foods, said: "We decided to announce we were talking to stop the trade losing confidence in Anglo-Bellamy products." He added that the talks would probably be concluded in about two weeks.

CHAMBERS & FARGUS, seed crusher, edible oil refiner and processor, made a pre-tax loss of £167,000 (£96,000 profit) in the year to January 29, 1985. There is no dividend (1p net in 1983-84). The loss was struck after a £113,000 provision against exceptional bad debt and interest of £172,000 (£148,000). Loss per 5p share was 2.08p (2.19p earnings). Turnover rose from £18.92m to £22.35m.

HAY AND ROBERTSON pre-tax profits dropped from £3,736 to £1,229 for the six months ended November 30 1984, and again there is no interim dividend. Earnings per share are given as 0.002p (nil). Turnover amounted to £228,829 (£59,224).

CHI in new approach to Banro

BY FRANK KANE

THE CONVOLUTED relationship between the two manufacturers of car trim and components, Banro Industries and CH Industrials, took a further twist yesterday.

Banro, which earlier this year fought off an attempted takeover from CHI, announced interim figures, and the acquisition of Lintek (Motor Cycle Accessories) for up to £2.9m.

Simultaneously, Mr Tim Hearley, the CHI chairman, told shareholders at the annual meeting that this company was "making approaches to Banro concerning possible areas of co-operation."

The approach got a frosty response from Hill Samuel, which advices Banro. "We don't have a lot to learn from CHI," said a spokesman, "and would not be interested in any co-operation."

The acquisition of Lintek will be satisfied by an initial payment of £1m, of which £0.25m will be met through the allotment to the vendors of 183,554 new Banro ordinary shares, and the balance through placing of 602,553 new shares by Hill Samuel. A further sum, of up to £1.9m, will be paid in a performance-related agreement, in cash, though Banro does have the option to pay the sum in shares.

The effect of the initial share issue will be to reduce CHI's current holding in Banro from just over 29 per cent to about 25 per cent.

Lintek, which is privately owned and based in Lincoln, has in the past five years seen taxable profits before directors' emoluments up from £181,000 to £445,000, on turnover up from £1.37m to £3.22m over the same period. Mr L. D. Rilches, the managing director and principal shareholder, will retain his position. There are as yet no plans for him to join the Banro board.

Along with the announcement of the Lintek deal, Banro also published its results for the six months to June 30, 1985. These show pre-tax profits at £562,000 compared with a profit of £374,000 on continuing activities. Turnover in the period rose from £13.64m to £14.42m. The dividend is increased from 0.57p to 1.8p with earnings per share at 5.6p (1.8p).

Mr Edward Rose, the Banro chairman, said he was particularly pleased with the results as they were achieved during the "period of upheaval" caused by the CHI bid. The costs incurred in the successful defence came to £200,000, shown as an extraordinary item.

The acquisition is conditional upon shareholders' approval at a meeting called for September 30.

JFB to sell Lloyd offshoot

BY MARTIN DICKSON

Johnson & Firth Brown, the troubled Sheffield metals and engineering group, is planning to sell off its subsidiary Richard Lloyd, a manufacturer of machine tool cutting tips, to a consortium of senior managers, acting in conjunction with Monks and Crane and Carborundum Abrasives.

The disposal, on which negotiations are at an advanced stage, is the latest in a series by JFB since its large special steels business ran into difficulties in 1980. Last month JFB announced that it had agreed in principle to sell Canon Muskegon, a leading U.S. maker of exotic metal alloys, to SPS Technologies. That sale is likely to bring in about $13m (£9.3m).

Richard Lloyd, which is just breaking even on turnover of about £8m, has net assets worth about £4m. However, the sale price is expected to be below that, possibly around £2m to £2.6m.

JFB said yesterday it was selling the company because it could use the cash elsewhere—initially to help reduce borrowings—and because the deal would contribute towards a necessary rationalisation in the sector.

The manufacturing side of Richard Lloyd—based in Tenbury Wells, Worcestershire—is expected to be sold to a management team headed by Mr David Parkes, the finance director. The Birmingham-based distribution side will go to Monks and Crane, with Carborundum Abrasives also involved in the deal.

Oilfield Inspection restores interim

Oilfield Inspection Services Group achieved a turnover of £8.44m (£7.18m) in the first half of 1985 and pre-tax profits of £264,000 (£166,000 loss). Earnings per 20p share amounted to 1.5p (loss 2.7p) and interim dividends are resumed with 1p net. Tax took £160,000 (£27,000)

The directors' outlook of a substantially better year remains unchanged and they are confident of further improvement in 1986.

Rothmans 'faces a difficult year'

SIR Robert Crichton-Brown, chairman of Rothmans International, tobacco group, said yesterday that 1985-86 would be another difficult year and would not see a resolution of its problems in Canada, West Germany and Britain. However it would see progress in that direction.

He told the annual meeting that the tobacco industry had problems of over-taxation, slack demand and the need to rationalise. These problems could not be solved overnight. In July, Rothmans announced a near £30m fall in full-year taxable profits to £122m.

Sir Robert said events so far this year confirmed his view that recovery was still some way off.

In the tobacco industry, European markets continued with much the same trends as last year. One or two markets, notably France, were growing and in Germany recovery was continuing slowly but the UK market was still falling.

"Taking the combined effect of domestic and export demand on our businesses in Europe, I have to say that developments in the current year confirm the necessity of our policy of trimming excess factory capacity and otherwise cutting costs," he said.

He also sounded a note of caution about the effect of exchange rates on the translation of overseas profits into sterling. While the overall trend had been positive in 1984-1985, so far this year it had been unfavourable.

As for the Carling O'Keefe brewing business in Canada, there were underlying problems affecting the country's brewing industry. The biggest was a revolution in packaging which would continue to depress the industry's profits.

Sir Robert said Rothmans continued to face serious problems in its German subsidiary, where there had been £23.3m of exceptional costs last year. Further rationalisation might still be required.

Meanwhile, the German Supreme Court would begin hearings on October 29 on the long-running legal proceedings begun by the Federal Cartel Office over Philip Morris's acquisition of a minority stake in Rothmans. Judgment would be given in November.

Argyll silence over Distillers

Mr James Gulliver, chairman of the Argyll Group, told the AGM of the food and drink retailing group that the management accounts for the first 20 weeks showed profits to be fully in line with planned expectations for the year. "I am confident therefore that we will be able to report another good year," he said.

He said he would answer no questions on Argyll's recent statement that it had no plans to bid for Distillers "at the present time" which the Takeover panel has interpreted as three or four months.

Shareholders were told that the necessary funds should be available from internal sources to finance its store opening programme over the next three years. Mr Argyll added that the Presto stores opening plan was on schedule with three new stores opened at Morden, Gateshead and Brighton recently and a further 17 outlets due on stream later this year.

Argyll's share price yesterday rose 5p to 318p.

Group sells £3m of Lonrho shares

A GROUP of Middle Eastern shareholders with a big holding in Lonrho has sold a further 2m shares, worth about £3m at current prices.

The shares, sold on September 3 and 4, were held by Robert Fleming (Nominees) on behalf of Gulf Fisheries (Overseas), Al Fettooh Investments, Sheikh Nasser Sabah Al Ahmed Al Jaber Al Sabah, Sheikh Salwah Sabah Al Ahmed Al Jaber Al Sabah and Sheikh Hamad Sabah Al Ahmed Al Jaber Al Sabah.

The group held about 10.5 per cent of Lonrho's equity last January. The sales cut the figure to about 8.3 per cent.

BOARD MEETINGS

TODAY

Interims:—Breedon and Cloud Hill Lime Works, British Mohair, John Crowther, Delta Group, Lyon and Lyon, George Oliver (Footwear), Sharna Ware, Tavener Rutledge.

Finals:—LDH, Polytechnic Electronics, S. W. Wood.

FUTURE DATES

Interims:—	
Aberdeen Construction	Sept 28
Allied Plant	Sept 18
Britannia Arrow	Sept 18
Centreway Trust	Sept 27
Downiebrae	Oct 3
Energy Recovery Investment	Sept 20
Jersey Electricity	Oct 11
McLaughlin and Harvey	Sept 25
Micro Business Systems	Sept 26
Minet	Oct 2
Newarthill	Sept 26
Octopus Publishing	Oct 1
Pentherella	Sept 23
Promotions House	Sept 17
Roberts, Adlard	Sept 16
Senior Engineering	Oct 14
Sovereign Oil and Gas	Oct 15
Tharsis	Sept 25
Vickers	Sept 26
Finals:—	
Christy Hunt	Sept 23
Industrial Fin. and Invest.	Sept 19
Mitchell Cotts	Oct 3
Trafford Park Estates	Sept 17
Zambia Copper Investments	Sept 24

UK COMPANY NEWS

Burmah oil advances by 34% to £37m

FOLLOWING ON the AGM statement that 1985 trading had started well, Burmah Oil has increased first-half pre-tax profits by 34 per cent from £27.8m to £37.2m. The board says the period has been successful, both in terms of trading and the strategic development of the group.

Reflecting a lower tax charge of £13m (£14.2m) stated earnings per £1 share jumped by 84 per cent from 8.75p to 16.11p, before extraordinary items. The interim dividend is 1p higher at 4.5p net, but the board points out that this increase is not to be construed as any indication of the year's total—the 1984 total was 10.75p on £70m pre-tax profits.

Turnover, net of duties, for the period was lower at £787.4m (£809.2m). The tax reduction was mainly due to the elimination over the past year of certain losses for which no tax relief had been available and the decrease in highly-taxed investment income from Pakistan.

Extraordiary losses of £8.1m (£1.3m profits) included £9.3m of charter cancellation fees and losses on the disposal of five tankers, partly offset by profits on other disposals. Profits from the disposal of two Quinton Hazell businesses are not included. Attributable surplus was £15.6m (£14.4m).

Regarding the outlook, the board says the main uncertainty at present concerns exchange rates. *Otherwise, the group's* main businesses should benefit from a generally satisfactory trading and economic environment and improve on their 1984 performance.

Further progress has been made towards implementing the group's strategy of concentrating on the core activities of oil exploration and production, Castrol, speciality chemicals and liquified natural gas transportation (LNG).

Several strategic acquisitions for the core businesses have already been announced and others are being actively pursued. Action taken in 1984 to restructure the group has also continued, with further reductions in the tanker fleet and further disposals.

Exploration and production profits were £4m higher at £8.2m. The increase from Thistle of £2.8m to £11.8m, was principally due to the high sterling oil price in the early months of 1985. Total exploration expenditure in the first half was £8.1m (£4.1m). Depletion of exploration costs was £3m.

The board says the award of 16 blocks in the Ninth Round of UK offshore licencing, the farm-in to 12 UK onshore licences and

Mr John Maltby, chairman, Burmah Oil

the acquisition of acreage in Colombia and the U.S. have considerably enhanced Burmah's exploration portfolio.

Profits from lubricants and fuels were litle changed at £30.3m (£30.2m). In local currency terms, Castrol profits in 27 out of 30 countries were ahead of 1984. However an increase of 23 per cent in the UK and Europe and other excellent results were offset by lower results in Malaysia and Singapore, a programmed increase in promotional costs in the U.S. aimed at strengthening Castrol's market position, and *adverse exchange rate movements*, the board states.

Satisfactory progress continues to be made in a number of markets, including expansion of the automotive lubricants business in Japan, development of both the *automotive and industrial* lubricants markets in the U.S. and an increased market share for GTX in the UK.

Speciality chemicals profits rose by 18 per cent to £3.9m. Adhesives were ahead of 1984 and sealants *sales are improving* after a difficult first quarter due to severe North European winter weather. Coatings achieved increased volumes and margins in most product and geographic markets, while printing inks had another excellent result, continuing to gain market share in Europe.

The successful expansion of speciality chemicals' main businesses is now being reinforced through strategic acquisitions.

● comment

Now that bid speculation has died away the interest in Burmah is concentrated on its disposal programme. *The once 40-vessel* strong shipping division now contains two ultra large tankers and the blighted Bahamas terminal. The tankers are to be rented out—one of them already is—until the scrap merchants can make an offer Burmah will *accept on these rapidly depreciating* assets. On the terminal, action is likely to be more rapid—perhaps even in this half. Complete closure seems more than possible but the strong balance sheet will readily contain the £20m hole that the write-off would produce. At Quinton Hazell the "salami" sell-off operation continues. Presently it is ahead of the game with units sold grossing almost twice book *value—and by as early as next* spring perhaps QH will be a thing of the past. Acquisitions have boosted exploration and speciality chemicals—the two areas in which rapid growth is aimed for. Castrol was flat but should do better in the second half although it could be swings and roundabouts as far as the foreign exchange effect is concerned. On the assumption that the group's unwanted parts do *not take a very sudden turn for* the worse the market is looking for £80m pre-tax for the year. This has the shares at 304p fairly fully rated on a prospective p/e of almost 8½ given a 35 per cent tax charge. At some point *Burmah's developing status as* an industrial holding company should see a re-rating but that is probably due next year rather than this.

Desoutter up 16% midway to £2.5m

DESOUTTER BROTHERS (Holdings), manufacturer of industrial tools, raised pre-tax profits by 15.7 per cent to £2.46m in the half-year ended June 30, 1985 compared with £2.12m last time. Sales were up to £15.69m (£15.53m).

The *interim dividend* is raised to 2.5p against 2.16p.

Mr R. C. Desoutter, chairman, says: "We look forward to earning a similar amount of profit in the second half." But he says that may prove difficult if the cost of sterling continues to be expensive.

Interest payments were £89,000 (£95,000) and tax took £1.02m (£982,000), giving attributable profits of £1.44m against £1.14m. Earnings a share were 11.63p compared with 9.15p.

The interim dividend will cost £303,000 (£255,000) and a preference dividend £33,000 (£33,000).

John Lewis up by 26% in first half

John Lewis Partnership, the department stores group, which includes Waitrose supermarkets, increased pre-tax profits by 25.8 per cent to £27.28m in the half-year ended July 27 1985, on sales up 13.7 per cent to £634.1m (£557.58m).

Trading profit was up 25 per cent to £35.1m from £28.02m. Interest charges took £2.13m (£1.99m), pensions contributions £5.53m (£4.19m) and the preference dividend £143,000 (£164,000).

Mr Peter Lewis, chairman, says sales were handsomely ahead of national retail comparisons both for the 78 Waitrose supermarkets—up to £310.31m (£271.26m)—and *for the 21 department stores*—up to £310.44m (£279.47m).

Nationally retail sales are strong, he says, and the prospects for the second half are promising.

London United

LONDON UNITED Investments increased turnover in the first half of 1985 from £15.17m to £19.28m to give a pre-tax profit of £2.49m against a restated £2.43m. From earnings per 20p share of 12.78p (10.75p), an unchanged interim dividend of 5p is being paid.

United Biscuits hit by £3.2m downturn in U.S. operations

THE COOKIE war in the U.S. has severely dented the income of *United Biscuits (Holdings)* North American operations at the six months' stage.

However, with all areas of the UK showing improvements the group managed to lift its profits before tax for the 28 weeks to July 13 from £34.6m to £36.3m.

And although earnings per share emerged 0.3p lower at 7p the interim dividend is being raised from 2.7p to 2.85p on the capital enlarged by the £98m rights issue of last March.

The developments in the American market make accurate predictions difficult but Sir Hector Laing, the chairman, says present indications are that the group should show a "most satisfactory" increase in pre-tax profits in the second half of the *year—it made* £87.2m in the 1984 year as a whole.

For the first 28 weeks turnover rose from £847.1m to £992m with the UK take up to £498.3m (£454m) and that of North America at £462.7m (£366.7m). The rest of the world improved from £26.4m to £31m—the group is the largest biscuit maker outside of the U.S. with over 100 brands under the McVitie's and Crawford's labels.

Trading profits pushed ahead from £45.6m to £48.3p despite a £3.2m downturn *from* North America at £16.4m. The UK contribution rose from £26m to £31.5m with the noted trend of a higher biscuit market share in 1984 continuing in the first half.

Sir Hector says that in the U.S. Keebler's profitability in the first quarter was severely affected by the *continuing* intensity of the cookie war.

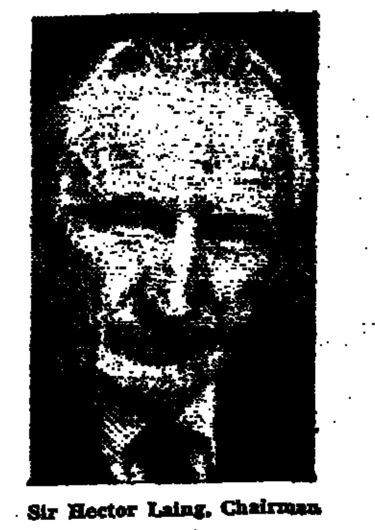
However, he adds that in response to vigorous management action, dollar trading profit *made a conspicuous* recovery in the second quarter and was substantially ahead of the same period last year.

In the cookie and cracker market as a whole, Keebler's sales volume increased, and its *market share rose* by nearly 1 per cent to 15.5 per cent, including a 32 per cent share of the new dual textured cookie sector.

Nevertheless, in order to maintain the group's status as a low cost producer in the cookie market, the *directors* have decided to close the bakery in Philadelphia this year.

The cost of the closure will be reflected in the annual accounts as an extraordinary provision.

Keebler's entry into the salty snacks market *is* proving very successful, with Tato-Skins exceeding expectations, and on the West Coast sales of all its



Sir Hector Laing, Chairman

products are increasing steadily.

These two new sectors alone have expanded sales by over \$100m a year.

The group's UK *frozen food* company in total improved its profitability although the performance of TFC Sorge continued to be disappointing. However, the benefits from the action taken to overcome the company's difficulties are now beginning to come through.

Interest charges for the half year accounted for £12m, against a previous £11m, and the tax charge *rose* from £10.7m to £11.6m.

Profits after tax emerged just *£0.8m higher at £24.7m.*

At the annual meeting last May, Sir Hector told shareholders that a good *start* to the year had been made in the UK. He said trading profits were higher than the same period a year earlier and all sectors of the business were showing improvements.

The meeting was told that in the U.S. the cookie war was intensifying and that margins were under pressure and recent *profitability had been lower than* had been hoped.

For the group as a whole, Sir Hector said indications were that at the half-year trading profits would be higher than those of the previous *year* but after increased *interest* costs profits before tax would be similar to 1984.

With this in mind City analysts had been looking for interim pre-tax profits of around £35m, and following yesterday's release of the figures the group's shares were marked up by 10p to close at 191p.

See Lex

James Fisher rises by 60% to £3.3m halfway

James Fisher and Sons has lifted pre-tax profits by 60 per cent, from £2.08m to £3.33m, for the six months to end-June 1985.

With stated net earnings per 25p share ahead from 8.43p to 13.24p, the directors of the group, based in Barrow-in-Furness, are *lifting the* interim dividend to 1.6p (1.5p). A total of 3.2p was paid in 1984 on protfis of £2.85m.

Turnover for the half year rose to £22.93m (£16.71m), and operating profits emerged at *£6.63m (£6.05m). The pre-tax* result was after interest charged, less received, of £1.32m (£1.34m).

The directors say that the results achieved during the first half of the year, while reflecting the benefits arising from the acquisition of ships and companies during recent years, have been adversely affected by market conditions in the shipping industry. They also point to the weakness of the U.S. dollar

The improvement in freight rates seen during 1984 continued into 1985 and has been sustained. An unexpected and sudden dramatic decline in market rates worldwide throughout the early summer, coupled with the weakness of the U.S. dollar has resulted in vessels' earnings becoming inadequate to cover operational costs.

With no signs of marked improvement in the foreseeable future the board has decided to make provision for what is probably a permanent diminution in ship values and to write down by £17m the two deep sea bulk carriers. The board intends to dispose of these.

The directors add that while the broad base of the group's shipping activities will, to some extent lessen the effect of current market rates upon the groups earnings, the profit in the second half, taking into *account seasonal fluctuations,* will be dependent upon market conditions.

The tax charge amounted to £174,150 (£157,093), and there were extraordinary credits of £505,470 (£69,685), but the £17m *write down this* time leaves the group with an attributable loss of £13.34m against profits of £1.99m.

John Laing warns on margins

DESPITE A small fall in turnover for the six months to the *end of June 1985, John Laing* recorded a 5 per cent increase in taxable profits.

On turnover down from £380m to £375m, pre-tax profits improved from £10.7m to £11.2m. The directors have declared an interim payment of 2p, up 14 per cent on last year's interim, which is covered more than six times by earnings per share of 12.2p (10.6p).

Last year there was a total payment of 6p, on taxable earnings of £30.3m.

Directors of this construction engineer say that order books of the UK construction business increased during the half-year. However, because of the increasingly competitive environment, profit margins from this sector are unlikely to be maintained at the level of recent years.

Overseas, the group is working on a number of major contracts, including the Mount Pleasant Airfield in the Falkland Islands. However, lack of liquidity in the Middle East is requiring Laing to take a prudent view in assessing local profits.

Housing development had a healthy sales intake this year, *and conveyances look set to exceed* 2,000. The dircetors add that the group will complete its first *show* house in California before the end of the year, ready for 1986 sales.

Laing's recent policy of investing cash balancmes in land for housing and property development has been continued. It is anticipated that this will provide the basis for future growth of profits.

The directors say that they expect profits for the full year to be an improvement on those for last year.

The trading surplus for the period came out at £8.7m, against £8m, and investment income and net interest received added a further £2.5m (£2.7m).

With a tax charge of £4.6m, against last year's £4.9m, when minorities took £100,000, the profit after minorities came out at £6.6m, an increase of 16 per cent on the comparable figure of £5.7m.

● comment

This was a characteristically cautious statement from John Laing. Some would say the caution had been overdone: no *one is making* much money out of civil engineering these days with margins tight and getting tighter, but *it* is a *big* generator of cash which can be directed down more lucrative avenues. Laing is taking full advantage of the fact by directing its cash balances into the more profitable building side of its business: it has won some good quality commercial and industrial contracts and is heavily involved in the buoyant private housing sector. For this year, the growth in the civil engineering order book will be negated by the squeeze on margins, but an increase of perhaps £3m is in prospect from the profitable housing side. A total of £33m puts the shares, down 11p at 264p yesterday, on a prospective p/e ratio of 7. The figure looks modest given that profits from the U.S. housing activities have yet to sart to flow and that the group's conservative accounting policies have excluded any contribution form the largely-complete Falklands field.

UK COMPANY NEWS

Prudential bucks market trend with 30% increase

Prudential Corporation, Britain's largest life company, yesterday took the market by surprise when it announced a near 30 per cent jump in interim pre-tax profits from £35.9m to £46.4m.

It had been anticipated that Pru's UK general insurance business would be hit hard in line with the experience of other major insurance groups, and that its reinsurance subsidiary, Mercantile and General, would continue to decline. However, both these areas improved and bucked the general market trend.

A lower tax charge of £15.2m, against £18.2m, resulted in a 76 per cent improvement in attributable profits to £30.5m, and earnings per share of 10.2p against 5.8p.

The interim dividend is being increased by 20 per cent to 9p.

Pre-tax profits from long-term life and pensions business showed the expected near 10 per cent growth from £58.1m, while shareholders' other income rose by a quarter to £13.7m.

Losses in general insurance operations were cut from £28.2m to £25.4m, after worldwide underwriting losses had dropped from £66.3m to £64.1m, and investment income had risen marginally by £600,000 to £38.7m.

The overall pattern of the group's general insurance operations saw some improvement in the UK, an achievement in itself, a strong improvement in M & G, offset to a large extent by a decline in overseas operations.

Premium income on UK general insurance business rose 16 per cent to £164.3m, with an 8 per cent rise in home service personal lines premiums and a 29 per cent rise in other business sources. The overall underwriting loss was cut from £28.2m to £23.6m and the trading loss over the period was reduced from £15.9m to £11.7m.

Premiums on UK motor business reflected recent rate increases and climbed 14 per cent to £47.6m. While the number of claims continued to rise, the trading loss was reduced from £3.2m to £1.5m.

On the domestic property account, trading losses jumped by £2.5m to £8m despite the Pru suffering less in the winter—adverse weather claims of £6m, compared with £8.5m.

Premium income rose nearly 30 per cent on UK commerical business and the trading loss cut by £6m to £2.2m.

However, overseas general insurance operations swung from trading profits of £6.1m to losses of £5.2m; the turnround came from Canada, where the Pru has not gone against the market trend.

An underwriting loss of £8.7m, against a £2.1m profit, resulting in a trading loss of £2.9m, against a profit of £6.1m. Trading losses in EEC operations of £1.5m, up from £400,000, arose from poor results in France and Holland; and more than offset a slight improvement in results from the Belgium subsidiary, L'Escaut.

M and G's premium income was down 12 per cent in sterling terms at £124.4m — 2 per cent lower allowing for currency fluctuations. The drop reflected a selective approach to underwriting, but led to reduced underwriting losses of £23.1m, against £22.4m, and a trading loss of £8.5m (£18.4m).

See Lex

Royal Dutch and Shell lift interims

FOR THE half year to end-June 1985 "Shell" Transport and Trading has raised its interim dividend from 11.9p to 12.5p, a 5 per cent increase. Total dividends of 33p were paid in 1984.

At the same time Royal Dutch Petroleum is lifting its interim payment from Fl 3.85 to Fl 4.5.

Shell Transport had a net asset value of 878.2p at June 30, compared with 793.1p a year earlier, and earnings per 25p share of 59.9p against 62p.

As part of the arrangements between the two companies, Shell Transport and Trading was entitled to receive a supplementary cash dividend of 15 per cent of the cash amount of any dividend paid to the company which formed part of its share in group income under the 60:40 arrangements in respect of years 1977 to 1984 inclusive.

Such supplementary cash dividends have now ceased. The 1984 interim included supplementary cash dividends amounting to £16.9m

Telefusion dividend cut as profits dive £2m

Telefusion, the High Street renter and retailer of electronic goods, more than made up the first half deficit over the second six months, but still ended the year to April 27 with pre-tax profits some £2.3m lower.

Although the results bore the £1.8m launch costs of Connect, its new trading concept, they also took in a £2m surplus from the sale of fixed asset investments.

The final dividend is being cut from 1.13p to 0.65p leaving the net total at 1.3p, against a previous 1.95p.

Turnover for the 12 months declined from £99.29m to £89.95m. Pre-tax profits fell from £2.79m to £423,00 with the second six months' contribution at £784,000, down from a corresponding £1.54m—all comparisons have been restated.

Depreciation dropped to £8.27m (£9.49m) but interest charges took £359,000 more at £2.8m.

Tax accounted for £116,000 (£676,000) and after extraordinary debits of £256,000 (£3.12m credits) the available surplus emerged at a near breakeven £51,000, compared with £5.23m.

Earnings per share pre-extraordinary items totalled 0.6p (4.3p). After such items earnings were 0.07p (10.69p).

At year-end net borrowings from bankers and other financial institutions had been reduced by £3.39m to £17.52m.

The extraordinary charges related to the sale of the Italian subsidiary Elprop, the contract for which became binding and unconditional in January. However, approval for the sale had still not been received from the requisite Italian authorities at September 12.

● comment

Trident is in an unenviable position. It is trying to mould together two quite separate retail chains—Telefusion and Trident—into one coherent format which is almost like starting a business from scratch, though as a quoted company everything is on display. And nobody could suggest that the smaller Telefusion shops and the larger Trident stores sit together under the same name with any comfort. The new stores—there have been 10 since May—are shaping up well enough but there is still a residual 200 from the old style group to contend with. The division's losses are clear enough and unlikely to get much better for some time. So it is up to the almost peripheral activities of communications and security to provide some black ink for the p and l and the cash flow from renting televisions and videos to fund the expensive store refurbishments while paying for the new sets for rental. It is a tall order, for there is little scope to take on debt wit:: gearing already in the area of 100 per cent. At 23p, the year's low, the market capitalisation is just £11.2m.

MCD rises 27% to near £1.2m

MCD Group, formerly known as Trafford Carpets, has achived a 27 per cent increase in first half profits and says that the traditionally busier second half has started well.

With turnover up from £17.51m to £19.55m, taxable profits for the period to end-June 1985 advanced from £945,000 to nearly £1.2m. Earnings per share rose by 1.07p to 4.03p and the interim dividend is being raised by 30 per cent to 1.3p.

The taxable result was struck after higher interest of £160,000, against £113,000. Tax was £494,000 (£437,000), leaving net profits of £704,000 (£508,000). The interim dividend will absorb £227,000 (£175,000).

Profits in the 1984 year reached £3.30m pre-tax and were accompanied by a 2p final dividend.

MCD has continued its policy of expanding UK coverage through the purchase in July of Wilkies Carpets from the WW Group. After reorganisation this year, Wilkies will make a profits contribution in 1986, the directors state.

Currently, all group companies are performing ahead of budget and the board is looking forward with confidence to the full year's outcome.

R. Douglas better than expected

A BETTER than expected profit was attained in the second half of 1984-85 by Robert M. Douglas Holdings, the civil engineer, builder and contracter.

Although the full year taxable profit more than doubled from £455,000 to £1.01m, the result "is by no means satisfactory," says Mr John Douglas, the chairman.

At halfway, when the company reported a £295,000 loss, he predicted that full year profits to March 31 would at least equal the previous year's result.

Full year earnings increased from 2.2p to 9.7p and, after passing the interim payment, the company is paying a final dividend of 1.75p—which matches the previous year's total.

The chairman says tight margins continue to prevail in construction, where higher turnover produced lower profits. He anticipates that the current year will be more successful.

Recovery in the construction equipment operations, led by Australia, New Zealand and the Middle East, has also taken place in the UK and in direct exports.

Materials supply produced "excellent results" and plant hire, while still unprofitable, improved its performance.

"The group has now produced significantly better profits in each of the last two years and, given reasonable trading conditions, there is every reason to hope the current year will show continued improvement," says Mr Douglas.

Turnover in 1984-85 rose from £128.39m to £142.56m.

There was a £312,000 tax credit (charge £128,000), Minorities accounted for £151,000 (£8,000), and there were extraordinary debits of £78,000 (credits £75,000) to leave the attributable balance at £1.4m (£410,000)—dividends will again absorb £266,000.

Subject to shareholders approval, it is proposed to introduce two share option schemes for staff and certain senior executives. The AGM will be held on October 11.

Blackwood Hodge borrowings

Blackwood Hodge has clarified its borrowing position. Of its outstanding £38.7m debt, two thirds is in foreign currencies loaned to overseas subsidiaries and is matched by assets. The drop in the sterling value of group net assets is due to the fall in the sterling value of overseas net assets. The company also says that it has not forecast any material contribution to profits from South Africa for 1985.

In Wednesday's edition the £12.2m figure given for its underlying increase in sales should have referred to the UK.

Trade Promotion beats forecast with £767,000

IMPROVED earnings from the expansion of existing trade fairs, the containment of costs and higher interest income enabled the Trade Promotion Services Group to beat its profits forecast for the year ended April 1985, by 18 per cent.

Turnover for the year pushed ahead from £6.09m to £6.81m and at the pre-tax level profits reached £767,000, which compares with the forecast of £650,000 made last September at the time of the USM placing and last time's £506,000.

The dividend total of 3.8p is also better than the 3.15p forecast.

Turning to future prospects, Mr Michael Goold, the chairman, says the Autumn Gifts Fair at Olympia earlier this month showed useful increases on the previous year in terms of the number of exhibitors and the number of visitors.

He adds that the International Spring Fair at the National Exhibition Centre, Birmingham, in 1986 is already sold out and there is a long waiting list. The Scottish Spring Fair will be in February 1986 at the new Scottish Exhibition and Conference Centre. Shareholders are told that this is a new fair which will make an increasing contribution to group profits.

Mr Goold concludes: "These increases in trading activities, coupled with healthy cash balances, place the company in a strong position for further expansion by development or acquisition and I believe that we can look to the future with confidence."

Tax for the 1984-85 year accounted for £269,000 (£205,000) and left profits attributable at £498,000, compared with £301,000. The final dividend of 2.75p will absorb £156,000—the interim payment took £59,000.

Earnings per 10p share improved by 3.2p to 9.2p.

The containment of costs came from the stand construction side of the business. Higher interest income stemmed from the investment of the group's "strong cash balances."

Trade Promotion's principal activities are the organisation of trade exhibitions and the construction and fitting of trade stands.

The group, based at Woolwich, placed some 50 per cent of its equity on the market.

Biddle Hldgs. profit lower than expected

Biddle Holdings experienced a poor start to the year with taxable profits after the first six months of the year almost halved from £650,000 to £332,000.

As expected the Bennie Lifts subsidiary had a disappointing six months and directors warn that profits are likely to fall further in the second half. However, there were also disappointing performances from Mumford, Bailey & Preston and F. H. Biddle, where expected improvements were not achieved.

Only the continental companies had achieved a satisfactory result. A comparable result is expected in the second half.

Turnover was little changed, down from £10.43m to £10.12m. From earnings per share, before extraordinary items, of 4.9p (0.4p) the interim payment is maintained at 2.4p.

Taxable profits included net interest receivable of £167,000 (£177,000) and with tax of £137,000 (£275,000) and an extraordinary credit this time of £949,000 from the sale of property, attributable profits were £1.14m, against £374,000 last time.

Fitch design up 32% to £0.74m at halfway

Fitch and Company Design Consultants increased pre-tax profits by 32 per cent from £557,000 to £737,000 for the half year to June 30 1985 on turnover £1.2m higher at £4.2m.

After tax of £324,000 (£264,000) earnings per 10p share climbed from 5.7p to 8.1p. The net interim dividend is 0.3p higher at 2p—last year's total was 5.31p on £1.34m profits.

Mr David Legg, the chairman, says there has been a strengthening of business in all Fitch's divisions covering retail, shopping centres, airports, offices, architectural contracts, product design, leisure and graphics.

The company is also attracting valuable overseas projects which are being handled from London.

Mr Legg says the breadth of commercial application of design will continue to expand and Fitch is exceptionally well placed to take full advantage of this.

The company's staff numbers have risen from 220 to 260 over the first half and it is having additional premises in anticipation of further growth.

The interim dividend absorbs £102,000 (£87,000) leaving a half-year retained balance of £311,000, against £206,000.

In the UK, Fitch has enjoyed continuing relationships with a number of the City's high profile companies, while overseas, the first Dutch project for the De Bijenkorf department store group is progressing well and has led to a second contract in Holland from developers, MAB.

BANK RETURN

BANKING DEPARTMENT	Wednesday September 11 1985	Increase (+) or decrease (—) for week
LIABILITIES	£	£
Capital	14,553,204	—
Public Deposits	2,309,598,372	+ 77,438,168
Bankers Deposits	733,736,815	+ 5,718,009
Reserve and other Accounts	1,532,633,513	— 41,484,984
	4,590,520,700	+ 39,671,193
ASSETS		
Government Securities	583,447,771	— 108,180,000
Advance & other Accounts	595,957,487	+ 21,751,117
Premises Equipment & other Secs.	3,402,611,171	+ 122,185,256
Notes	7,876,512	+ 3,740,367
Coin	617,759	+ 16,453
	4,590,520,700	+ 39,671,193

ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes in circulation	12,122,123,488	— 73,740,367
Notes in Banking Department	7,876,512	+ 3,740,367
	12,130,000,000	— 70,000,000
ASSETS		
Government Dept.	11,015,100	—
Other Government Securities	1,902,408,150	+ 226,184,095
Other Securities	10,216,576,750	— 296,184,095
	12,130,000,000	— 70,000,000

Bridon up 10% but UK results below expectations

Bridon, South Yorkshire-based wire and wire rope maker, has improved pre-tax profits by 10 per cent in the half year to end-June from £7m to £7.7m.

The directors have declared a 25 per cent increase in the interim dividend to 1.5p (1.2p), but say that this should not be taken as an indication of the level of dividend for the full year. For 1984 dividend payments totalled 4p on profits of £14.5m.

Net earnings are shown up from 6.2p to 7.7p.

Turnover for this half amounted to £174.2m (£152.7m), with the related companies share being £64.7m (£60.9m).

Mr Jack Laird, the chairman, says that the overall improvement in demand for British Ropes' products following the end of the miners' strike has not been as strong as expected and, in consequence, while UK profitability has significantly improved, expectations were not fully realised.

Trading profits of Bridon, its subsidiaries and related companies in the UK rose from £4.6m to £5.3m, with the main wire, wire rope and related products contributing an increased £4.7m (£3.6m), fibres and composites down at £0.6m (£0.8m), and no contribution from engineering, which last time added £0.2m.

Overseas, trading profits were static at £5.1m, with the share from the Americas down from £3.7m to £3m, and the African subsidiaries turning losses of £0.3m into profits of £0.5m.

Bridon's American results reflected weak demand in its major market sectors, and particularly intense competition from wire rope imports, the chairman says. In addition, the results of Bridon Cordage were affected by the depressed economic state of the U.S. agricultural sector.

Mr Laird states that while the profits of GICSA, the related company in Mexico, doubled in peso terms, the impact of peso devaluation reduced the profit increase to 22 per cent in sterling terms. Elsewhere, he adds, performance was generally in line with the first half of 1984.

• comment

The heavy buying of Bridon shares last week has turned out to be ill-judged, and fingers were burnt yesterday after these very disappointing results. Shareholders, who saw their investment lose 18p on the day at 107p, must look across the Atlantic for a scapegoat, and then go even further for the real culprit. The Koreans have been deluging the U.S. with cheap wire rope, and Bridon's business there has suffered as a consequence. The U.S. authorities have decided to impose a quota, but this has come too late to help the current year, for whihc estimates have been scaled down to around £15m. In any other company, a complaint about the Mexican peso would be treated as just an excuse, but it is real enough for Bridon—around £7m of trading profits came there in 1984—and the directors have been scrupulously fair, even harsh, in their translation policy. When all is said, though, the UK is paramount, and Bridon must be cursing the NCB, firstly for overstarting the damage done in the pits during the strike, and secondly for dragging their feet on the replacement of equipment which was lost.

DPCE £1m ahead and 'stronger than ever'

FROM A turnover ahead by 64 per cent to £13.51m in the year to June 30, 1985, DPCE Holdings, the independent computer maintenance group, raised its profits before tax from £1.91m to £2.91m.

The performance is described by chairman Mr Colin Clive as excellent and he goes on to tell shareholders that DPCE has entered the current year stronger than ever, with excellent prospects for growth.

Good progress is being made in the U.S. and the acquisition last February of Netherlands-based Storage Technology BV has already made a substantial contribution to the operating profits of DPCE's Dutch subsidiary.

With earnings for the past year emerging 2.7p higher at 14.2p the final dividend is being lifted from 1.8p to 2.2p to make a net total of 3p (2.5p) on the enlarged capital, as indicated in February at the time of the £6.9m rights issue.

The rights issue contributed to an improved balance sheet, which at year end showed net tangible assets of £11m, a four-fold increase over last year. Mr Clive says this has made DPCE very much stronger financially, and has helped its business prospects.

The group has won a second large contract in the U.S. Worth $162,000 (£123,000) per annum it raises DPCE's annual maintenance revenues from the U.S. market to over $1m.

London Shop improves 14%

Net property revenue of the London Shop Property Trust improved from £7.93m to £9.87m in the year to end-April 1985 and at the pre-tax level profits emerged at £6.46m, compared with £5.66m, a rise of 14 per cent.

Earnings came through at 8.3p (7.2p) per 25p share and a final dividend of 3.6p raises the net total from an equivalent 4.408p to 4.95p, an increase of 12.3 per cent.

An internal valuation of the property portfolio of the group as at year-end amounted to £147.8m. Net asset value per ordinary share amounted to 177.5p, assuming full conversion of the convertible loan stocks, an improvement of 17.1p on last year's adjusted 160.4p.

Property and investment trading profits for the year totalled £615,000 (£379,000). Housebuilding edged ahead to £878,000 (£860,000).

Interest receivable and other income rose to £1.13m (£846,000) but interest charges jumped to £5.04m (£3.53m).

H. Samuel reduces losses to £1.59m

H. Samuel, retail jeweller, reduced pre-tax losses to £1.59m in the six months to August 3, 1985, compared with £1.63m in the first half last year.

Turnover (including VAT) grew to £48.91m (£42.8m) and the directors say the results continue the steady improvement reported last year. As usual, they intend to declare a dividend in January.

Net trading losses before interest were £604,000 (loss *£1.34m); interest payable was* £982,000 (£289,000). There were extraordinary credits of £651,000 (£856,000). The results of James Walker Group, acquired in April 1984, are included from the date of acquisition.

Improved start by Huntleigh Tech.

Huntleigh Technology, which came to the USM in April, has reported taxable earnings for the first half of 1985 of £504,000 on turnover of £4.11m. A 0.5p interim dividend has been declared.

The figures compare with the previous 12 months profits of £710,000, earning on turnover of £6.75m. At the time of the placing the directors said they expected the present year's sales to be ahead of last year and that there would be a total dividend payment of 1.5p.

The earnings per 5p share for this maker of low-cost medical equipment, electronic *switches and load cells came* out at 4.47p, against an adjusted 6.6p.

Directors say there is every indication that the second half profits will be not less than the first.

T&N continues recovery with £11m

Turner & Newall continued its recovery in the six months to June 30 1985, raising pre-tax profits by 15.8 per cent to £11m against £9.5m last time.

Sir Francis Tombs, chairman, says progress was made in spite of substantially constant turnover—up to £247m from £240.8m. Operating margins rose 1.2 per cent to 9 per cent.

The interim dividend is raised 0.35p to 1.35p net.

He says sharp falls in the value of currencies, notably in South Africa and Zimbabwe, affected profits and reduced shareholders' interest there by £20m. But most regions in which the group *operates contributed to the improvement* in operating profits to £22.2m (£18.7m) and dividend payments from Zimbabwe are to be resumed.

However, he says South Africa is a cause for concern and, with the associated possibility of further adverse currency movements, represents some hazard to second-half results.

Nevertheless, he says the group's fortunes now depend more upon its operations in the UK, Europe and the U.S. where satisfactory progress continues.

The group, with interests in plastics, automotive components, chemicals and construction, mining and engineering, paid out £6.2m (£4.3m) in the U.S. in claims for asbestos-related disease. Sir Francis describes this as a significant burden.

However, the group has joined a new claim-handling facility formed by present and former asbestos cocpanies and their insurers. "We expect this to result eventually in lower costs," he says.

Trading profit increases from £13.8m to £15m after deductions for the asbestos-related disease claims and £1m (£800,000) for group expenses and other items.

Pre-tax profits were struck after an exceptional debit of £900,000 (£400,000) and net financing charges of £4.9m (£5m) but including profits of £1.8m *(£1.1m) from related companies.*

Tax charges were £5m, against £4.2m; minorities took £600,000 (£200,000) and there was an extraordinary credit of £1.2m (nil). Earnings a share were 4.93p against 4.73p on a net basis.

Operating profits in the UK were up 19.6 per cent to £11.6m (£9.7m) and elsewhere in Europe by 42.8 per cent to £2m (£1.4m); in Africa the figure was £6m (£4.3m); in North America £1.7m (£2.2m); in India and the Pacific £400,000 (£700,000). Continuing business added £21.7m (£18.3m) and divested and unconsolidated businesses £500,000 (£400,000), making a total of £22.2m (£18.7m).

Division by division the breakdown was: automotive components £10.4m (£7.8m), construction and industrial materials £8.5m (£8.2m), plastics £2.5m (£2.1m), mining £300,000 (£200,000).

Shebanie and Mashaba Mines (Pvt), the group's mining subsidiary in Zimbabwe, for which results remain unconsolidated, reduced turnover to £23.7m against £24.1m but lifted after-tax profits to £4m (£1m).

Sir Francis Tombs

• comment

The strength of the pound, the lamentable state of the building industry last winter, the miners' strike and the parlous condition of the South African economy all conspired against Turner and Newall in the first half. All considered, the results were most encouraging, and show T & N's ability to go on cutting costs to boost profits even in the most difficult of times. Expenditure on rationalisation and redundancy is now on the way down, while it may be a couple of years before the one-off benefits have been fully exhausted. In the *second half the company's* main automotive components division should continue to do well, while construction should produce comfortably better profits. Currency stands to play havoc with African profits, which in local terms are fairly healthy as a pick up in Nigeria, Zambia and Zimbabwe, is offsetting difficulties in South Africa. Currency factors may also mean a small decrease in shareholders' funds by the end of the year despite robust profits for the full year of about £25m. T & N may have to wait until next year before its asbestos claims start to *fall*; but in the meantime a p/e ratio of six with the shares at 88p seems unduly cautious.

Appleyard advances by 72%

Appleyard Group, motor dealer and oil distributor, continued its improvement in the six months to June 30 1985, raising pre-tax profits by 71.6 per cent to £858,000 from £500,000 last time.

Mr Ian Appleyard, chairman, says all of the improvement came from an increased contribution from its motor companies, most of which traded better. Sales, excluding car tax and VAT, were up 9.1 per cent to £79.28m (£72.66m).

Meanwhile, record sales of new cars in August have given the directors "every confidence that 1985 will prove to be a very successful year."

The group delivered 3,193 new cars in the month—18 per cent more than in 1983., its previous best year. The sales represent about 20 per cent of the expected total for the year. But Mr Appleyard says later months may be affected by a distortion of the market.

Reflecting the better results, an interim dividend of 1.5p will be paid, compared with nothing last time.

Appleyard of Ayrshire returned to almost breakeven point following its reorganisation at the end of last year, says Mr Appleyard.

Appleyard Finance Holdings, jointly owned with Mercantile Credit Company, continued to do well and has again expanded its contract-hire fleet.

However, its contribution to results was affected by higher interest rates and fell by 4.5 per cent to £254,000 (£266,000).

Group operating profits were up 47.38 per cent to £1.19m (£804,000). Interest charges *were £581,000 (£570,000).*

Tax took £177,000 (£114,000). The charge was based on the expected rate for the year to December 31 1985.

There were no extraordinary credits (£28,000). Earnings per share rose sharply to 8.4p (4.7p).

Last January, says Mr Appleyard, the group paid £190,000 for land next to its Leeds depot to provide the parking area necessary to redevelop Appleyard of Leeds and reduce congestion.

Estates Property reaches £2.8m

Higher full year taxable profits of £2.83m, against £2.73m, were achieved by Estates Property Investment Company after charging £237,000 of exceptional expenditure relating to the Euston Road property.

Gross rents improved by just over £1m to £5.7m but, in addition to this year's exceptional debit, there were increased charges for ground rents, administration and interest.

Tax was lower at £773,000, against £963,000, leaving net profits of £2.05m (£1.77m) equal to earnings per share of 10.74p (9.27p). Shareholders of this holding company are set to receive an unchanged final dividend of 5.5p, making a same again 8.25p total for the year to end-April 1985.

At the midway stage of 1984-85 pre-tax profits amounted to £1.44m (£1.26m).

Except for properties at N. Cheshire trading estate and properties in course of development the group's properties have been revalued by chartered surveyors. These valuations at the year end, in the aggregate sum of £62.12m have been included in the accounts for the year and disclose a reduction in book value of £77,000. The net asset value is 191.7p (190p) per share.

Garnar Booth lower halfway

FOLLOWING RECORD pre-tax profits of nearly £5m achieved in 1984-85, Garnar Booth, tanner and leather manufacturer, has announced a fall of £300,000 in the taxable result for the first *half* to end-July 1985.

The directors point out, however, that the pattern of the group's trading normally results in a substantially higher profit in the second half of the year, and they are again expecting to achieve a satisfactory out-turn for the full year.

Sales for this half increased by 9 per cent to £46.39m (£42.43m), but pre-tax profits were down at £1.52m against £1.82m. The directors, however, have lifted the interim dividend from 2.95p to 3.35p per share. Total payments for 1984-85 were 8.75p.

Leather remains in good demand from the many industries which the company serves, the directors state, and the factories continue to be busy.

In addition, the company has been able to retain its important export markets, although the volatility of the pound in relation to other European currencies and the dollar has placed some pressure on profit margins.

They add that the company is continuing to re-equip and modernise production units extensively in order to improve quality, efficiency and profitability.

In July Garnar Booth completed its first acquisition by purchasing Lederfabriek Roorda in the Netherlands. Apart from generating useful profits, the directors say the unit will provide additional supplies of raw materials for the increasing needs of the sheepskin tanneries.

The company has also been extending its interests in the processing of animal by-products and believe there are encouraging opportunities for growth in this sector. At the same time as the Dutch acquisition the company also bought the by-product division of Strathmore Meat, which operates in Scotland.

After a tax charge of £489,000 (£489,000) net profits emerged down from £1.32m to £1.08m, for basic earnings per 25p share of 11.2p against 14.8p.

Shortfall at John Finlan

John Finlan, builder and land developer, turned in reduced pre-tax profits of £500,000 for the 15 months to March 31 1985, as against a restated £585,000 for the previous 12 months period. Turnover, however, increased from £13.62m to £19.04m.

Tax charge was higher at £331,000 (£234,000) and stated earnings per 10p share declined from 4.1p to 1.8p. There were also doubled extraordinary charges of £324,000. A final dividend of 2p makes a total of 3.8p net (adjusted 3.5p for 15 months).

The balance sheet has been strengthened by £1.29m on the sale of Lincroft Kilgour shares, following the abortive bid for that company in 1984. It was further strengthened through the £2m eurobond issue last May.

Skybridge Holdings acquired last November achieved its profit forecast made at the time of the acquisition. This contribution helped offset the reduction on profits attributable to Finlan industrial development and building projects.

The board is optimistic about the future profit contribution from the company's important development project adjacent to Luton International Airport.

At the six months stage, the company reported pre-tax profits of £68,539 (£102,579).

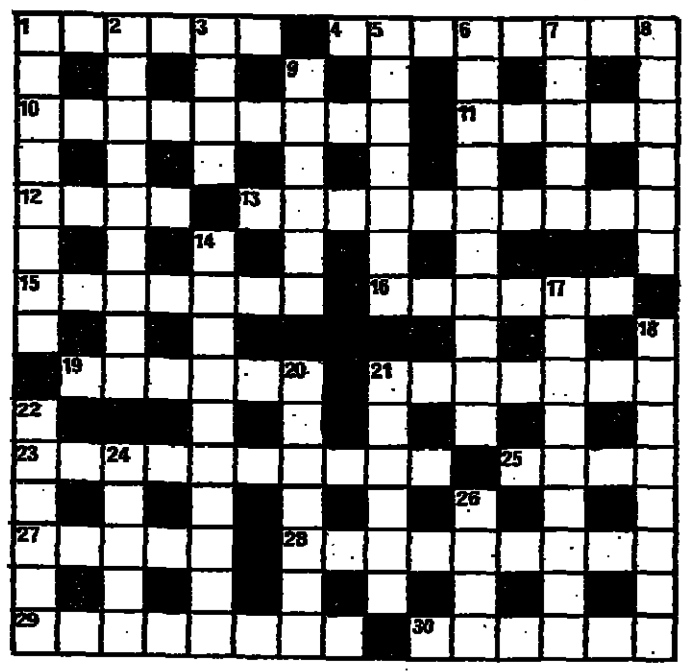
Don Brothers up to £4.6m

Don Brothers, Buist, industrial textiles group, lifted pre-tax profits from £2.86m to a record £4.56m for the 12 months to May 26 1985. Turnover increased from £39.23m to £51.58m.

Tax took £1.81m (£1.45m) and extraordinary charges accounted for £758,000 (£295,000). Earnings per 25p share almost doubled from 21.4p to 41.9p and the final dividend is 4p (3p) for a total of 6p (4.5p). A one-for-one scrip issue is also proposed.

Recent strong growth is expected to be sustained with an investment and refurbishing programme planned for the current year, costing over £4m. The programme includes new computer control equipment.

F.T. CROSSWORD PUZZLE No. 5,820



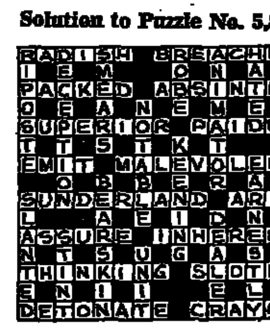
ACROSS

1 Take back tirade about city (6)
4 Anguish over border-plant (8)
10 Plant designated as over-bearing by Racine? (9)
11 Directly opposed to artillery cut being applied retrospectively (5)
12 Dance to the drum (4)
13 Critical situation for leading handler in bird-dog training (5, 3, 2)
15 In extremities flower lasts a long time (7)
16 About to get wrong answer (6)
19 King in battle showing fear (6)
21 Gradually turns to suits (7)
23 What conductors do with old-time militia (5-5)
25 At one time unit contained a hundred (4)
27 Sailor getting second-class in religious instruction from doctor of law (5)
28 General cut out to be trite (9)
29 Rider traversing shore on island (8)
30 Compass-cover (6)

DOWN

1 Noted judge (8)
2 Cheat soft rival (9)
3 Doctor writing up article on aromatic oil (4)
5 He has a look of a fine stroke-player (7)
6 Where some medical students end up during training (2, 8)
7 Dictionary includes fortynine that may be commonly drunk (5)
8 Plant raised by one in anxiety (6)
9 Soldiers finding nothing to make merry about in retreat (6)
14 Giant sailing in salt-water ship (10)
17 The face of Brutus, or Antony, for example? (5, 4)
18 Got up only to descend after one? (8)
20 Char (tea) affecting wind-pipe (7)
21 Decorate journalist with outward sign (6)
22 Formality of leading actor at church (6)
24 Are forced to regard doctor in a cautionary light (5)
26 Break vessels up (4)

Solution to Puzzle No. 5,819



APPOINTMENTS

Managing director for Wedgwood

Mr James Moffat, deputy managing director of WEDGWOOD, will become managing director on October 1. Sir Arthur Bryan continues as executive chairman.

★

HAYTERS has made Mr John E. Snell its managing director from September 17. Previously he was a main board director of Ransomes Sims & Jefferies and managing director of Stanley A. F. West, of Exeter.

★

P & O CRUISES has made the following changes: Mr Alan Langley is appointed deputy chairman in addition to his existing role as managing director; Mr Hugh Scrimgeour, formerly assistant to the group chairman, Sir Jeffrey Sterling, is appointed assistant managing director. Finance and development will become separate functions. Mr Ross Sinclair will devote full time to the role of development director. Mr Nigel Lawford (formerly finance director of Earls Court & Olympia) is appointed finance director. Mr Leigh Horsley is appointed company secretary.

★

Mr William Stirling Johnstone has been appointed to the board of EDINBURGH FUND MANAGERS.

★

Dr Christopher Queree, formerly an associate of MVA SYSTEMATICA, has become a director.

★

Mr Clive E. J. Jarvis has been appointed a director of ALEXANDER HOWDEN REINSURANCE BROKERS (A.H.R.B.).

★

THE PAVIS GROUP has appointed Mr David Jones an executive director of Pavis Plastics and Mr David Allcock executive director responsible for purchasing.

★

Mr Ian Cooper, deputy director of the Water Research Centre Engineering at Swindon, has been appointed director of research and chief executive of BHRA, the Fluid Engineering Centre, to succeed Mr George Adler, who retires in January. Mr Cooper will join BHRA in November.

★

Mr Bruce B. Durkee has been appointed vice-president and representative of the FIRST NATIONAL BANK OF ATLANTA. Mr Durkee replaces Mr Greenfield W. Pitts who has held this position for the past five years. Mr Durkee, an officer of the bank for the past seven years, was previously vice-president and account relationship manager in the bank's corporate banking department, head office, Atlanta, Georgia. Mr Pitts will return to the bank's head office in Atlanta to assume management of European and Middle Eastern corporate marketing efforts in the international division.

★

THE PENINSULAR & ORIENTAL STEAM NAVIGATION has appointed Mr P. L. Warner and Mr F. W. Lampl to the board. Both retain their present posts within the P & O Group—Mr Warner as chairman and managing director of Bovis Homes and Mr Lampl as chairman and managing director of Bovis International. Mr Lampl will become chairman of Bovis Construction on October 1 when Mr Bernard Heaphy, present chairman of Bovis Construction, will become president to mark his fiftieth year with the company. Mr Malcolm Paris, on medical advice has retired from the P & O Board.

★

Mr John Vaughan has joined the board of MAYHEW FOODS as a non-executive director. He was previously regional director for the Midland Bank's south east region.

★

Mr George Rowley has been appointed chairman of GREENHAM SAND AND BALLAST CO, part of the Taylor Woodrow Group. He succeeds Mr Peter Stride, who has retired. Mr Rowley joined Greenham Concrete in 1961 becoming its sales director in 1968 and deputy managing director in 1974. He is now chairman and managing director of that company and in May 1984 was made deputy chairman of Greenham Sand and Ballast. Mr Stephen Wakerly has been appointed managing director. He was appointed to the board in 1982.

★

VILLA OWNERS CLUB has appointed Mr Dale Sumner to the board. Mr Sumner was, until recently, managing director of Cannon Assurance.

★

KING TRAILERS, a subsidiary of Boustead, has appointed Mr Richard Smith as managing director. He was previously production manager at Marshall of Cambridge (Engineering).

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	64.0	68.1	+0.2	3.15
Accum Units	94.7	100.7	+0.3	3.15
Pearl Inc.	90.3	96.1	+0.2	5.12
Pearl Unit Tst.	94.3	100.3	+0.6	4.19
(Accum. Units)	159.3	169.5	+0.9	4.19

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	187.7	201.9	....	1.94
Income	141.2	151.2	....	5.40
Worldwide Recovery	105.8	113.6	....	2.20
American Growth	57.1	61.3	....	0.65
Int'l. Emerging Cos.	59.4	63.8	....	0.70
Far East Growth Fd.	47.8	51.3	....	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	103.6	111.0	+1.7	0.26
Prolific Extra Inc	63.2	67.2	+0.1	6.01
Prolific Gilt Cap.	32.2	33.5	....	3.22
Prolific High Inc	133.6	142.1	....	5.30
Prolific Intl.	83.3	89.3	....	1.71
Prolific N. Amer.	115.9	124.2	−0.7	2.20
Prolific Spec. Sits.	142.7	151.8	−0.2	1.64
Prolific Technology	99.6	106.7	−0.3	0.94

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	50.2	53.2	+0.8	—
Worldwide	49.1	52.0xd	+0.4	1.93
European Trust	52.0	55.1	+0.3	2.18
North American	49.9	52.9	....	2.34
UK Equity	50.6	53.6	+0.2	3.99

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-59, Ilford Hill, Ilford, Essex, IG1 2DL. 01-478 3377

Holborn Equity Tst.	324.0	344.6	+2.1	3.63
Holborn Gilt Tst.	154.5	161.6	−0.2	7.43
Holborn High Inc	54.8	58.2xd	....	7.33
Holborn Intl.	62.3	66.5	+0.6	0.53
Holborn UK Growth	63.9	67.9xd	+0.3	3.15

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd.	325.4	346.2	....	3.70
Quadrant Income	180.2	191.8	....	5.89
Quadrant Intl. Fund	298.2	313.9	....	1.52
Quadrant Recovery	201.6	214.5	....	2.68

Reed Stenhouse Inv Services Ltd
145 Borough High St, Ldn SE1 1NV 01-628 6011

Wellington Inc	51.6	54.9	+0.4	6.00
Wellington Growth	107.6	114.5	+1.0	2.00

Reliance Unit Mgrs. Ltd.
Reliance Hse, Tunbridge Wells, Kent. 0892 22271

British Life	134.6	142.3	−0.1	4.88
Reliance Unit Tst (Inc)	86.4	92.3	....	5.02
Reliance Ut Tst (Acc)	111.5	119.1	....	5.02

Ridgefield Management Ltd.
35 Fountain St, Manchester M2 2AF. 061-236 5685

Income UT	89.4	95.6	+0.9	6.91
International UT	215.6	230.5	+1.0	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4. 01-280 5456

NC America (Inc)	227.1	239.0xd	....	1.40
NC America (Acc)	244.2	257.0xd	−0.1	1.40
NC Engy Res. Tst.	158.9	167.2	+0.4	2.46
NC Inc Fd.	69.8	73.0	+0.1	4.86
NC Japan Fund	106.3	111.8	+0.7	0.02
NC Smaller Cos.	109.7	115.4xd	−0.1	2.04
RC Smaller European	107.7	113.3	+0.1	0.72
NC Exempt Gilt Tst*	£118.0	123	....	10.91
NC American Prop*	$11.21	11.80xd	....	—
NC Prop.*	178.0	196.0	....	—

*Unauthorised Unit Trusts.

Rowan Unit Trust Mngt. (a)
1 Finsbury Av, London, EC2M 2PA. 01-606 1066

American Sept 5	189.5	193.5	−2.0	2.25
Securities Sept 10	582.0	597.0xd	....	2.82
High Yield Sept 6	134.5	138.0	....	5.69
Merlin Sept 11	269.0	277.0	....	2.14
Fixed Interest	152.0	153.0	−0.5	2.81
High Interest	119.0	120.0	−0.5	12.40
Far East Sept 10	120.5	124.0	....	0.47

Royal Life Fd. Mgmt. Ltd.
New Hall Place, Liverpool L69 3HS. 051-227 4422

Equity Trust	48.4	51.4	+0.3	3.18
International Trust	54.9	58.3xd	+0.3	1.69
United States Trust	27.0	28.7xd	+0.1	1.93
Pacific Basin	24.8	26.3	+0.2	0.73
Gilt Trust	25.3	26.6	−0.1	7.97

Royal London Unit Tst Mgrs Ltd
Ryl. Ldn Hse., Colchester, CO1 1RA 0206 576115

American Growth	70.0	74.5	−0.6	1.13
Capital Accum	141.3	150.4	+0.9	3.30
Gilt Income	50.4	53.1	−0.1	9.59
High Income	56.9	60.6xd	+0.2	6.87
Income & Growth	68.6	73.0xd	+0.4	5.16
Japan Growth	49.7	52.9	+0.1	0.09
Special Sits	78.2	83.2	+0.5	2.04

Royal Trust Cnn. Fd. Mgt. Ltd.
48-50, Cannon St, London EC4N 6LD. 01-236 6044

Capital Fund Aug 30	143.4	153.4	....	—
Income Fund Aug 30	123.5	132.9	....	6.5
Intl Exempt* Aug 30	£21.26	22.04	....	2.80

*Unauthorised

SKG Management Limited
20 Copthall Ave, EC2R 7JS. 01-600 7595

Gilt Acc.	108.5	113.0	....	3.58
Do. Dist.	104.8	109.2	....	3.58
Inc & Grth in Rmwt.	130.7	139.0	....	2.84
Do. Accum.	130.7	139.0	....	2.84

Save & Prosper Group
28, Western Rd., Romford, RM1 3LB.
68-73 Queen St, Edinburgh EH2 4NX.
(Romford) 0708-66966 or (Edin.) 031-226 7351

Amer Inc & Grth Fd (z)	61.5	65.7	....	8.28
Capital	80.6	86.2	....	2.54
Commodity	49.4	52.8xd	....	2.92
Energy Inds.	51.2	54.7	....	2.78
European (z)	61.1	65.3	....	1.07
Exempt Income*	60.5	63.7xd	....	6.34
Exempt Intl*	51.8	54.6	....	3.26
Exploration Fund (z)	36.4	38.9	....	0.86
Financial Secs	71.7	76.6	....	2.72
Gilt & Fxd Int Grth	73.7	76.5	....	3.27
Gilt & Fxd Int Inc	53.0	55.8	....	11.09
High Return	136.0	145.4	....	6.09
High-Yield	126.3	134.5	....	5.41
Income	77.0	81.9xd	....	6.87
Intl Bond Fd (z)	89.3	95.0	....	5.64
ITU	67.8	72.5	....	3.37
Japan (z)	47.4	50.4	....	0.00
Japan Smaller (z)	69.2	74.0	....	—
New Technology (z)	81.2	86.8	....	—
Scotbits	97.8	104.5	....	3.77
Scotshares	131.7	140.8	....	4.28
Scotyields	118.3	125.9xd	....	4.83
Select International	58.1	62.1	....	2.80
Smaller Cos Inc Fd	118.6	126.3	....	5.12
SE Asia (z)	92.3	48.7	....	3.04
Special Situation Fd	75.9	81.1	....	2.64
UK Equity	138.5	148.1xd	....	3.04
U.S. (z)	60.7	64.6	....	0.63
Univ Growth	63.0	67.3	....	3.44

*Prices on September 11.

Schroder Unit Trust Managers Ltd.
Enterprise House, Portsmouth. 0705 827733

American	108.9	116.0	−0.1	1.63
(Accum Units)	110.3	117.5	−0.1	1.63
Australian	61.1	65.8xd	+0.9	1.28
(Accum Units)	65.2	70.2	+0.9	1.28
European	67.6	72.0	....	1.57
(Accum Units)	68.7	73.2	+0.1	1.57
Extra Income Fd.	49.4	52.6	....	7.98
(Accum Units)	49.9	53.1	....	7.98
Gilt	51.9	54.7xd	....	9.87
(Accum Units)	74.7	78.7	−0.1	9.87
Gold Fund Inc.	32.1	34.2	−0.1	3.80
(Accum Units)	32.9	35.0	−0.3	3.80
Income	130.5	139.1	+0.2	5.74
(Accum Units)	280.4	298.9	+0.6	5.74
Intnl.	81.2	86.5	−0.3	1.17
(Acc. Units)	111.6	118.9	−0.4	1.17
Jap. Smaller Cos.	69.3	73.8	+0.6	0.1
Singapore	54.7	58.3	+0.9	0.81
(Accum Units)	55.5	59.1	+0.8	0.81
Smaller Co's	103.0	109.8	....	1.79
(Accum Units)	107.1	114.1	....	1.79
Special Sits. Fd.	83.3	88.7	+1.6	1.51
(Accum. Units)	85.5	91.1	+0.6	1.51
Tokyo Inc	110.2	117.4xd	+1.1	0.37
(Accum Units)	111.0	118.3	+1.2	0.37
U.S. Smaller Cos. Fd	49.4	52.6	−0.1	0.27
UK Equity	79.4	84.6	....	3.64
(Accum. Units)	120.5	128.4	−0.1	3.64
*Pens. & Charity Fund	470.5	501.5xd	....	4.01
*Recovery	582.1	620.5xd	....	3.02
*Spec Ext	91.6	97.6xd	−0.1	2.13

*For tax exempt funds only. †After 10 for 1 Sub-Division.

Scottish Equitable Fund Mgrs. Ltd.
28 St Andrews Sq, Edinburgh 031-556 9101

Intnl Income Units	120.5	128.2	....	3.73
Intnl Accum Units	174.6	185.7	....	3.73
UK General	24.8	26.5	+0.3	2.35
American	24.9	26.6	+0.1	0.77
European	24.6	26.3	....	0.89
Japan	25.4	27.2	+0.3	0.10
Technology	24.6	26.3	....	0.21

Scottish Life Investments
19 St Andrew Sq, Edinburgh 031-225 2211

UK Equity	131.3	140.5	+0.5	2.50
American	137.6	147.2	+0.1	1.40
Pacific	100.4	107.4	+0.7	0.09
European	132.1	141.3	+0.9	1.03

Scottish Mutual Investment Managers Ltd.
109 St. Vincent St, Glasgow G2 5HN. 041-248 6100

European	108.3	115.2	....	1.10
Gilts & Fixed Int.	103.5	110.1	−0.4	9.29
North American	91.6	97.4	−0.5	1.31
Pacific	95.8	101.9	+0.3	0.39
UK Equity	131.1	139.5	+0.6	2.86
UK Smllr. Cos. Equity	108.4	115.3	−0.4	2.25

Scottish Provident Inv. Mgt. Ltd.
6 St Andrew Sq, Edinburgh 2. 031-556 9181

Equity Acc.	132.1	141.3	+0.2	3.99
International Acc.	122.2	130.7	+0.3	1.50
Gilt & Fxd Int Acc.	110.1	117.8	−0.2	9.18
Index-Lkd Secs Acc.	103.1	110.3	....	2.09

Scottish Unit Managers
29 Charlotte Sq, Edinburgh. 031-226 4372

Pacific Fund (z)	32.6	34.9	+0.4	—
World Growth	28.4	30.3	+0.1	0.76
North American (z)	31.6	33.8	....	0.76
Income Fund	33.7	36.1xd	....	5.85
European (z)	25.4	27.2	−0.1	1.21
Nth American Inc (z)	24.7	26.5	+0.2	3.79
UK Growth	25.6	27.4	+0.1	2.83
Extra Income	25.6	27.4	+0.1	6.92

Scottish Widows' Fund Management
P.O. Box 902, Edinburgh EH16 5BU. 031-655 6000

Pen Eq Acc Sept 10	201.3	214.2	−4.5	3.97

Standard Life Trust Mgmt. Ltd.
3, George St., Edinburgh, EH2 2XZ. 031 225 2552

Income Units	196.2	210.3	....	3.61
Accum. Units	211.5	226.7	....	3.61

Stewart Ivory Unit Trust Mgrs Ltd.(a)
45, Charlotte Sq, Edinburgh. 031-226 3271

American Fund	184.7	196.7	−0.6	0.80
(Accum. Units)	203.5	216.8	−0.6	0.79
(Withdrawal Units)	134.8	143.6	−0.4	0.79
Australian Fund	107.6	114.6	+0.5	1.07
(Accum. Units)	108.8	115.8	+0.5	1.06
British Fund	444.7	473.4	+0.6	4.73
(Accum. Units)	591.4	629.9	+0.9	4.72
European Fund	179.3	191.0	+0.4	0.96
(Accum. Units)	187.0	199.2	+0.4	0.96
Japan Fund	184.9	196.9	+2.5	0.46
(Accum. Units)	185.4	197.5	+2.5	0.48
Saints PPP	128.8	135.6	....	—

Sun Alliance Fund Management Ltd.
Sun Alliance Hse, Horsham. 0403 56293

Equity Tst.	312.0	331.9	+2.0	2.83
North America	46.7	49.6	+0.4	1.92
Far East	50.4	53.6	+0.7	0.88

Sun Life Trust Mgmt. Ltd.
107 Cheapside, EC2V 6DU. 01-606 6010

American Growth Acc.	23.5	25.0	....	2.0
American Income Acc.	23.0	24.5	+0.1	5.1
American Income Inc.	23.0	24.5	+0.1	5.1
European Growth Acc.	27.7	29.5	+0.2	3.0
Far East Growth Acc.	25.7	27.4	+0.6	0.9
Int. Growth Acc.	24.1	25.7	+0.2	1.0
Japan Growth Acc.	27.1	28.8	+0.5	0.4
UK Growth Acc.	25.6	27.3	+0.2	2.8
UK Income Acc.	25.2	26.8	....	4.7
UK Income Inc.	25.2	26.8	....	4.7

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)
99-101 London Rd, Sevenoaks. 0732 450161

Equity Dist.*	221.2	234.0	....	4.03
Equity Acc.*	262.5	277.7	....	4.03
Fixed Int. Dist.†	118.1	122.3	....	11.06
Fixed Int. Acc.†	166.7	172.7	....	11.06

*Prices on Sept 11. Next dealing October 9.
†Prices on Sept 4. Next dealing Oct. 2.

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG.
0264 62188. Dealings to 0264 63432-3

TSB American	94.0	100.1xd	−0.1	1.62
Do. Accum.	97.9	104.2	−0.2	1.62
TSB Extra Income	83.2	88.6xd	+0.1	6.39
Do. Accum.	95.7	101.9	+0.1	6.39
TSB General	119.7	127.3	+0.8	3.40
Do. Accum.	193.8	206.1	+1.3	3.40
TSB Gilt & Fxd Int	46.9	48.9	−0.1	9.48
Do. Accum	57.7	60.2	−0.1	9.48
TSB Income	166.1	176.8	+0.3	5.01
Do. Accum.	250.6	266.7	+0.5	5.01
TSB Pacific	103.1	109.7	+1.4	0.73
Do. Accum.	105.7	112.5	+1.4	0.73
TSB International	232.3	247.2	+1.3	1.97
Do. Accum.	282.7	300.8	+1.5	1.97
TSB Natural Resources	45.0	47.9	−0.1	2.06
Do. Accum	45.4	48.4	....	2.05
TSB Spcd. Opps.	46.7	49.7xd	+0.2	2.48
Do. Accum	50.9	54.2	+0.3	2.48

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Small Co's Fund	68.3	73.0	+0.1	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bk. (0296) 5941

American Eagle	66.9	71.5	−0.3	0.26
Australia	29.0	30.9	+0.2	0.10
Commodity	84.8	91.2	+0.1	2.05
Energy	41.0	42.9	....	0.32
Equity	100.6	107.3	+0.9	3.80
European Spec. Sits.	56.4	60.3	+0.6	0.61
Extra Income	91.2	99.5xd	+0.2	8.34
Financial	203.1	216.6xd	−0.9	2.63
Gilt Capital	220.9	231.3	−0.4	3.25
Gilt Income	99.3	104.0xd	−0.2	8.63
Gold Income	59.9	64.1	+1.0	1.85
Gold Acc.	108.2	115.7	+1.8	1.83
Income	59.9	64.4xd	+0.2	4.82
Japan	45.9	49.0xd	+0.6	0.10
Malaysia & Singapore	22.7	24.2	−0.1	0.67
Pacific Income	63.5	67.9xd	+1.5	0.50
Pacific Re-Inv.	77.7	83.1	+1.4	0.50
Preference Share	16.0	17.3xd	....	10.10
Professional	485.5	518.2	+2.9	2.12
Special Sits.	77.7	83.4xd	+0.1	1.30
Technology	40.1	42.9	−0.2	0.10
U.S. Special Bond	51.6	55.2	+0.2	6.12
Worldwide Capital	108.8	116.0	+0.4	1.82
Equity Exempt Sept. 11	643.0	685.9	....	2.39
Equity Ex Acc Sept 11	1,181.8	1,260.6	....	2.39

Temple Bar Unit Trust Mgrs Ltd
P.O. Box 442, 32 St Mary-at-Hill, EC3. 01-623 9333

Electra Small Cos. Fd.	123.96	130.78	....	4.16
High Income	41.7	44.7	−0.1	7.17
North American	105.8	112.5	+0.6	0.92
Recovery	127.5	135.6	+0.5	3.70
Gilt Trust	37.6	38.9xd	−0.1	9.64
St Vincent U.S. Grwth	67.1	69.9xd	+0.3	0.96
St. Vincent High Inc	66.0	68.1xd	+0.1	6.56

Touche, Remnant Unit Trust Mngt. Ltd.
Mermaid Hse, 2 Puddle Dock, EC4. 01-248 1250

TR American Growth	27.8	29.9	−0.3	0.24
TR General Growth	41.4	44.5	+0.2	2.94
TR Global Tech.	27.9	29.7	−0.3	0.10
TR Income Growth	55.3	58.7	....	5.26
TR Income Monthly	39.1	41.6	....	7.58
TR Overseas Growth	32.7	34.8	+0.3	1.65
TR Smaller Cos.	42.9	45.6	−0.1	1.79
TR Special Ops	43.5	46.8	−0.2	1.06

Trades Union Unit Trust Managers
100, Wood Street, EC2. 01-628 8011

TUUT Sept. 1	132.8	139.8xd	....	3.73

Transatlantic and Gen. Secs. (c) (y)
91-99, New London Rd., Chelmsford. 0245-51651

Colmeco Sept 6	370.5	387.7	....	4.42
(Accum. Units)	591.6	619.0	....	4.42
Fielding Fd Sept 12	197.6	208.1	−4.0	3.55
(Accum. Units)	214.7	226.0	−4.3	3.55
Fielding Inc Sept 12	135.4	142.6	−2.3	4.78
Fldng AM&Gen Sept 12	204.9	215.7	+7.2	1.48
(Accum. Units)	230.3	242.5	+8.1	1.48
S&W American Sept 11	136.8	144.4	....	1.77
S&W Smlr Secs Sept 11	95.5	100.6	....	1.07

Tyndall Managers Ltd.(a)(b)(c)
18, Canynge Road, Bristol. 0272 732241

Australian Securities	65.1	69.7	+0.8	0.94
(Accum. Units)	67.0	71.7	+0.8	0.94
Capital	260.4	276.2xd	+1.7	4.25
(Accum. Units)	453.5	481.0	+2.9	4.25
Exempt	220.2	234.6xd	−0.8	7.37
(Accum. Units)	483.9	515.4	−1.8	7.37
Far Eastern	117.6	125.8xd	+1.4	0.90
(Accum. Units)	126.1	134.9	+1.5	0.90
Fin & Prop.	40.6xd	43.3xd	....	3.96
(Accum. Units)	62.3	66.6	....	3.96
Gilt Capital Trust	116.7	121.4	−0.3	7.00
(Accum. Units)	127.8	132.9	−0.3	7.00
Gilt Income	103.3	107.2xd	−0.3	10.21
(Accum. Units)	159.0	165.0	−0.3	10.21
High Yield	41.0	43.7	−0.1	7.33
(Accum. Units)	85.3	90.9	−0.1	7.33
Income	171.5	181.9xd	−0.6	6.73
(Accum Units)	513.5	544.8	−1.2	6.73
Int. Ern.	125.6	133.8	+0.9	3.37
(Accum. Units)	178.1	189.7	+1.4	3.37
International Growth	58.4	62.2	+0.1	1.30
(Accum. Units)	59.7	63.6	+0.1	1.30
Japan Growth (Acc)	60.0	64.2	+0.4	0.20
Natural Resources	180.6	192.4	+1.5	2.02
(Accum Units)	256.4	273.1	+2.1	2.02
Nth Amer Grth	106.2	113.6	−0.4	1.49
(Accum Units)	121.7	130.2	−0.3	1.49
Pref	109.9	117.1	....	11.38
(Accum Units)	261.8	278.9	....	11.38
Smaller Cos.	145.4	154.9xd	+0.2	2.98
(Accum Units)	191.9	204.4	....	2.98
Smaller Cos. Dw.	45.3	48.3	....	7.00
(Accum Units)	49.8	53.1	....	7.00
Special Sits	83.2	88.7	+0.3	2.73
(Accum Units)	85.6	91.2	+0.3	2.73
European Growth	58.4	62.3	+0.4	1.80

Unit Trust Account & Mgmt. Ltd.
Regis Hse, King William St, EC4R 9R. 01-623 4951
Advisors: Henderson Crosthwaite & Co.

Friars Hse. Cap. Fd.	105.0	111.7	....	2.24
Friars Hse Inc Fd	100.0	100.0	....	—

Vanguard Trust Managers Ltd.
Bath Hse, London, EC1A 2EU. 01-236 3053

American & Gen Sept 10	49.0	52.1	....	3.04
Growth Sept 10	137.1	143.5	....	3.04
(Accum Units)	198.3	207.6	....	3.04
High Yield Sept 10	151.7	159.7	....	5.56
Special Sits Sept 11	289.0	304.2	....	3.43
Trustee Sept 11	101.3	106.6	....	4.20
(Accum Units)	148.7	156.5	....	4.20

Wardley Unit Trust Managers Ltd (a)
Wardley Hse, 7 Devonshire Sq, EC2. 01-626 4411

American Tst.	60.5	65.1	+0.3	1.9
Far East & Gn. Tst.	63.0	67.1xd	+1.0	1.3
Natural Resources	45.9	48.8	+0.4	2.9
Income Tst.	63.2	68.0	+0.2	6.0
Japan Growth Tst.	59.9	64.4	+0.7	0.2
Smaller Cos. Tst.	114.6	123.3	+0.3	2.0
Tchnlgy. Tst.	28.0	30.0	+0.3	0.2
Australia Trust	41.0	44.0	+1.8	1.3
UK Trust	97.4	103.7	+0.3	3.0
European Growth Tst	27.9	29.7	+0.1	1.5
Hong Kong Tst	22.8	24.3	+0.7	2.0

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh. 031-225 1551

Australasian Gold	20.9	22.3	+0.4	0.1
Pacific Basin Energy	19.1	20.4	+0.2	0.1
Canadian Balncd Grwth	49.3	52.7	+0.4	3.0

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol, BS2 8SS. 0272 428431

British Growth	57.1	54.2	−0.5	3.0
British Income	51.0	54.0	−0.5	5.9

Whittingdale Unit Trust Managers
2 Honey Lane, EC2V 8BT. 01-606 9085/6

Short Dtd Gilt Fd	58.2	59.1	....	1.44

Wright Seligman Fund Managers Ltd.
11, Blomfield St., London, EC2M 7AY. 01-588 0592

Growth Fund	54.5	57.5	....	1.59

Weekly dealing day Tuesday.

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93, Cardiff CF1 4NW. 0222 35542

AA Friendly Sy Aug 9	88.9	83.9	....	—

Abbey Life Assurance Co. Ltd.
80, Holdenhurst Road, Bournemouth, 0202 292373

Prop. Ser. 1	210.5	221.6	....	—
Equity Ser. 1	83.2	87.6	−0.3	—
Prop. Acc. Ser 2	272.7	287.1	....	—
Equity Acc. Ser. 2	88.3	93.0	−0.4	—
Selective Acc.	208.8	219.8	−0.4	—
Money Series 3	204.1	214.9	....	—
Com. Ser. 3	219.0	230.6	....	—
Prop. Ser. 4	214.7	226.1	....	—
Equity Ser. 4	93.2	98.2	−0.4	—
Fixed Int. Ser. 4	171.0	180.1	+0.4	—
Indexed Inv. Ser. 4	109.8	115.6	+0.3	—
American Ser. 4	228.2	240.3	−1.0	—
High Inc. Ser. 4	224.8	236.7	....	—
Japan Ser. 4	163.4	172.1	+1.0	—
Man. Ser. 4	294.9	310.5	−0.3	—
Money Ser. 4	183.7	193.4	....	—
Convertible Ser. 4	183.8	193.5	....	—
Property Ser 4 Cap	145.2	152.8	....	—
Equity Ser 4 Cap	62.9	66.3	−0.2	—
Managed Ser 4 Cap	200.8	211.4	−0.2	—
Money Ser. 4 Cap.	125.2	131.8	....	—
Fixed Int Ser 4 Cap	155.6	163.8	+0.3	—
Indexed Inv S 4 Cap	95.8	100.9	+0.2	—
American Ser 4 Cap	207.1	218.0	−0.9	—
High Inc Ser 4 Cap	203.9	214.7	....	—
Japan Ser 4 Cap	148.1	155.9	+0.8	—
Pension Funds				
Property	344.6	362.8	....	—
Equity	595.4	626.8	−1.9	—
Selective	217.5	229.0	−0.4	—
Managed	488.6	514.4	−0.7	—
Security	305.6	321.7	....	—
Fixed Int.	175.9	185.2	+0.3	—
Indexed Inv.	111.5	117.4	+0.3	—
American	179.9	189.4	−0.9	—
Japan	151.6	159.6	....	—
Property Cap.	193.1	203.3	....	—
Equity Cap.	338.6	356.5	−1.1	—
Managed Cap.	275.2	289.7	−0.4	—
Security Cap.	169.5	178.5	....	—
Fixed Int. Cap.	129.4	136.3	+0.2	—
Indexed Inv. Cap.	90.2	95.0	+0.1	—
American Cap.	155.7	163.9	−0.7	—
Japan Cap.	131.1	138.1	....	—
Property Cap. 2	336.3	354.0	....	—
Equity Cap. 2	581.0	611.6	−1.8	—
Managed Cap. 2	476.8	501.9	−0.7	—
Security Cap.2	298.2	313.9	....	—
Fixed Int. Cap. 2	171.6	180.7	+0.3	—
Index Inv. Cap. 2	108.7	114.5	+0.2	—
American Cap. 2	175.5	184.8	−0.9	—
Japan Cap. 2	147.9	155.7	....	—
Moneywise Frly Soc	65.5	69.7	....	—

Aetna Life Insurance Co. Ltd.
401 St. John St., London, EC1V 4QE. 01-837 6494

Life Funds (Accumulator Units)				
Squirrel	9.9	10.5	....	—
Bear	10.1	10.7	....	—
Owl	10.0	10.60	....	—
Bull	10.0	10.6	....	—
Stag	9.7	10.3	+0.2	—
Pension Funds (Accumulator Units)				
Squirrel	10.2	10.8	....	—
Bear	10.4	11.0	....	—
Owl	10.2	10.8	....	—
Bull	10.3	10.9	....	—
Stag	9.9	10.5	+0.2	—

Albany Life Assurance Co. Ltd.
3, Darkes Lane, Potters Bar. 0707-42311

Equity Fd. Acc.(z)	564.2	593.8	−6.8	—
European Fd Accum(z)	136.1	143.3	+0.2	—
Fixed Int. Acc.(z)	265.0	278.9	+0.8	—
Gtd. Money Fd. Ac.(z)	188.4	198.3	+0.2	—
Intl. Man. Fd. Acm.(z)	242.1	254.8	−1.3	—
Intl Fxd Int Fd Acc(z)	155.3	163.4	−0.4	—
Japan Fnd(z)	145.7	153.4	....	—
Nth American Fd Acc(z)	146.2	153.8	−1.5	—
Prop. Fd. Acc.(z)	193.5	203.6	....	—
Multiple Inv. Acc.(z)	409.9	431.4	−3.0	—
Pension Funds				
Eq Pen Fd Acc(z)	928.1	976.9	−14.8	—
Euro Fd Acc(z)	151.6	159.5	+0.2	—
Fixed Int. Acc. (z)	477.6	502.7	+1.8	—
Gt Money Pn Acc(z)	296.1	311.6	....	—
Intl Man Fd(z)	320.1	336.9	−2.2	—
Jap Pen Fd Acc(z)	164.4	173.0	....	—
N Am Pn Fd Acc(z)	164.7	173.3	−2.1	—
Property(z)	278.2	292.8	....	—
Mltple Inv Pens Acc(z)	704.1	741.1	−6.9	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.44		—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$12.93	+0.04	—

Inv. Adv. M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.22	+0.13	—
Dynamic Grth Fd.	$8.29	+0.10	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.40	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.16	8.34	12.37	6mth
7-day Fnd	11.59	8.66	12.80	6mth
Oppenheimer Money Management Ltd 6b Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	11.16	8.34	12.78	6-Mth
7-day Fund	11.59	8.66	12.79	6-Mth
Dollar	6.87		—	6-Mth
Money Mngt Acct	11.00	8.22	12.27	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Chq Acc	11.25	8.00	11.93	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.25	8.41	12.58	Qtr
Mth. Int. Chq.	11.125	8.33	12.56	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.85	8.11	12.01	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.0	8.25	12.32	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.13	8.32	12.34	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.15	8.32	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss Francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Cheque Plus	9.00		13.30	Qtr
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.00	8.97	13.28	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	11.00	8.22	12.27	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-632 3313				
Cheque Deposit Acc	11.50	8.59	12.90	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	10.85	8.11	12.01	Mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
HighIntCheque Account	11.25	8.25	12.32	Qtr.
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	11.500	8.596	12.280	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H.I.C.A.	11.125	8.31	12.35	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	10.70	8.00	11.93	Qtr
£10,000 +	11.17	8.35	12.47	Qtr
Provincial Trust (formerly Choulartons) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc.	11.50	8.60	13.00	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	11.0	8.23	12.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	10.83	8.10	12.05	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	11.26	8.42	12.58	Qtr
Money Acc	11.20	8.37	12.50	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	11.00	8.23	12.40	Mth
Over £10,000	11.25	8.41	12.70	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc	11.81	8.83	13.04	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U S dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	16	Marks & Spencer	11
BAT	32	Midland Bk.	30
BOC Grp.	25	NEI	8
BSR	16	Nat West Bk	60
BTR	52	P & O Dfd	36
Babcock	14	Plessey	17
Barclays	48	Polly Peck	26
Beecham	32	Racal Elect.	18
Blue Circle	45	RHM	11
Boots	15	Rank Org Ord	32
Bowaters	20	Reed Intnl	50
Brit Aerospace	33	Sears	8
Brit. Telecom	11	TI	20
Brown (J.)	3	Tesco	20
Burton Ord	39	Thorn EMI	35
Cadburys	14	Trust Houses	13
Charter Cons.	18	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
FNFC	8½	Cap Counties	16
Gen Accident	45	Land Secs.	25
Gen Electric	17	MEPC	28
Glaxo	85	Peachey	22
Grand Met.	25	Samuel Props	14
GUS 'A'	60	**Oils**	
Guardian	60	Brit. Oil & Min.	4
GKN	17	Brit Petroleum	42
Hanson Tst.	17½	Burmah Oil	18
Hawker Sidd.	38	Charterhall	6
ICI	60	Premier	5
"Imps"	18	Shell	60
Jaguar	28	Tricentrol	18
Ladbroke	24	Ultramar	19
Legal & Gen	50	**Mines**	
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25	Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

U.S. may halve its sugar imports

BY NANCY DUNNE IN WASHINGTON

THE U.S. Department of Agriculture (USDA) is expected to recommend new sugar quotas today for December through September which could slash American imports by half.

Mr Nauman Barakat, an analyst with Smith, Barney, Harris, Upham and Co., said sugar traders are expecting the USDA to reduce the quota from 2.4mn short tons last year to 1m tons for the 1985-86 quota year.

The quota year, which usually runs from October 1, was extended for two extra months in 1985 because excess sugar had entered the market, much of it illegally, and the USDA was unable to maintain its 21 cents "market stabilisation" price. The quota to be announced today will run for 10 months.

Mr Barakat said the new quota has "bearish implications" for world sugar prices, which have been strengthening in recent days on the theory that supplies would tighten in the fourth quarter. However, the 1m short tonnes of additional supplies are likely to depress optimistic speculators.

The smaller sugar quotas reflect declining demand in the U.S. where per capita consumption had dropped from 89.2 pounds per year in 1975 to about 67.5 pounds last year. Meanwhile use of cheaper high fructose maize syrup has rocketed from 4 per cent of the market in 1975 to 23 per cent last year.

The switch by Pesico Inc and Coca-Cola Co from the use of a sugar-maize syrup blend to 100 per cent maize sweetener is estimated by the USDA to have taken 650,000 short tons of sugar demand out of the market. As American demand shrinks, the USDA lowers its import quota.

American sugar producers are protected by a price support programme which provides them operating loans at 18 cents a pound. If the price falls below that level, then U.S. producers can default on their loans, leaving their sugar in the hands of the USDA. The USDA is holding on to 250,000 short tons of sugar now, so to prevent default, it is using both smaller quotas and import fees to maintain the domestic price.

The Caribbean basin sugar nations, which also expect a 50 per cent decline in the quota, have asked the State Department to allow them a special quota so that sugar could enter the country for the production of sugar syrup. It would compete against maize sweetener so the maize lobby has brought pressure to bear against the proposal. Mr Clayton Yeutter, the U.S. trade representative, is reported to have told Caribbean ambassadors that the special quota is not feasible.

● Fiji's Prime Minister, Ratu Sir Kamisese Mara, said he has written to U.S. Secretary of State, Mr George Schulz, to protest at a cut in Fiji's quota, reports Reuter.

It was crucial to the sugar industry and Fiji's economy that the quota should remain intact, Mara said, adding Fiji's quota for the year beginning October 1 would represent a cut of 60 per cent on the 1984-85 figure of 17,780 short tons.

Bittersweet days in the Caribbean

Canute James reports on factors which are dampening the spirits of sugar producers

THESE ARE bitter sweet days for Commonwealth Caribbean sugar exporters.

Efforts to increase productivity and output have been paying off, particularly in this year's harvest. Like the rest of the Caribbean and Central American region, however, these producers are depressed, not only at the current state of world market prices, but also at shrinking opportunities to sell to the U.S. because of Washington's reductions of the region's quotas.

Commonwealth Caribbean producers, having fulfilled their quotas to the European Community under the Lomé Convention and the U.S. quota system, and satisfied their domestic markets, face the prospect of having to sell more on an already saturated world market.

"Although relatively small quantities might be involved," said one spokesman for the Barbadian industry, "they could further depress prices which are already uneconomical for us.

"But even though the amounts might be small, they are economically important to us."

The effect of what is widely regarded in the region as growing U.S. protectionism could severely dampen the industry's spirits, which were recently lifted by higher production.

In Trinidad and Tobago, where production costs have been about $1,160 per tonne, output in the harvest just ended reached 81,250 tonnes, a 25 per cent increase on last year.

The recovery comes after the country's failure to meet its EEC quota, which has been cut by 25,000 tonnes and distributed to other beneficiaries of the Lomé Convention's sugar protocol.

This year's harvest also lifted morale in the Barbadian industry, although the crop yielded 100 tonnes less than last year's 100,500 tonnes, following 85,000 tonnes in 1983.

Earnings for the year have not been reported by the industry, although it expects no significant change from last year's $32.1m.

Despite this, the Government has been raising about $15m through bond issues to support the industry.

This year's harvest in Jamaica yielded 205,900 tonnes, 12,000 tonnes better than last year but below the 210,000 tonne target. The industry attributes the improvement to increased efficiency in the island's mills.

The island's state owned mills are being run by Tate and Lyle of Britain under a management contract.

Productivity ratios increased this year, to reach 10.85 tonnes of cane to one tonne of sugar, after a ratio of 12.3 to one last year.

Guyana, the Commonwealth Caribbean's largest producer, is aiming for 266,000 tonnes from its two crops this year, following 251,851 tonnes last year.

The Government is hoping for reduced deficits from an industry which lost $45m in 1983 and 1984.

These countries have joined others in the region which have been asking the U.S. for more secure markets. Delegations have been to Washington to seek steady import quotas to aid their financially troubled industries.

"Fluctuations in quotas have been having an adverse effect on the regions economies," said the Barbadian industry representative.

Exporters in the Caribbean basin claim the U.S. is doing them out of what is already a relatively small part of that country's need for imported sugar to meet 10 per cent of its needs.

With high fructose syrup from maize acounting for 45 per cent of U.S. needs and another 45 per cent coming from domestic cane and beet, Caribbean basin exporters have seen their sales to the U.S. fall from an annual average of 1.6m tonnes between 1977 and 1981, to 594,000 tonnes this year.

The economic repercussions have been painful to the regions struggling economies. Their income from the U.S. market has fallen from an average $680m a year in thelate 1970s, to an estimated $250m this year.

The U.S. International Trade Commission has been asked by the Jamaican Government to reconsider a ban on imports of a chocolate drink made in the island, which was imposed because the extraction of sugar from the chocolate granules for resale was commercially feasible.

Mr Peter King, executive director of the Jamaica National Export Corporation, told the commission that the wholesale price of the chocolate drink in the U.S. was $1.71 per pound, and that sugar constituted 19 per cent of the volume and represented 7.7 per cent of the value of the product.

He said the other ingredients — malt, cocoa and milk — account for $33 of the total $36-a-case value of the product.

"There is unquestionably no economic incentive to extract sugar from this product for resale in the U.S.," Mr King told the commisison.

Gold supply surplus declines

BY ANDREW GOWERS

THE GAP between supply and demand in the gold market looks narrower this year and next than it has been in any year since 1976, according to an annual gold review published yesterday by the U.S.-investment bank Goldman Sachs.

The bank, which owns leading precious metals trader J. Aron, says the surplus of gold-mine production over manufacturing demand and central bank purchases is likely to shrink by one third this year from its 1984 level to about 10m ounces.

This is because gold use in fabricated products is likely to grow by 7.7 per cent, and central banks and other government agencies are expected to become net gold buyers this year for the first time in three years.

Central banks had been net sellers of the metal during the early 1980's, largely as a result of the Latin American debt crisis. Goldman Sachs estimates that they sold a net total of 4.1m ounces in 1983 and 1984. There are now signs, however, that official reserves are being gradually rebuilt, and the bank expects net official purchases to total 1.5m ounces this year.

Mined production in the market economies, meanwhile, is expected to continue growing by between 3.5 and 5 per cent over the next three eyars, totalling a likely 36.5m ounces this year. The centrally-planned economies—meaning primarily the Soviet Union—are expected ot sell some 4m ounces this year, compared with 3.9m last, while secondary supply is likely to total 10m ounces—a significant drop from its level in recent years.

Goldman Sachs says mined output has not reacted to the recent drop in prices because the metal is still selling well above average production costs of between $200 and $250 an ounce, and the strong dollar has significantly boosted returns to mining companies outside the U.S.

The upshot, according to the report, is that the share of the market accounted for by investors in bullion, coins and medallions is likely to drop to 20 per cent in 1985 from 28 to 30 per cent over the past four years and around 60 per cent at times of peak investment demand.

"Given an economic environment which is negative for gold investments, investors may well settle for this smaller role this year; should they decide to absorb a greater share of the gold entering the market this year, however, they will have to bid gold prices higher in order to find the metal," the report says.

It adds, however, that although prices appear to be near the bottom of their long decline at present, they are likely to remain weak unless: the gap between supply and demand tightens further; U.S. real interest rates come down and the dollar stops rising; and the U.S. economy shows signs of a significant slowdown, with increasing economic uncertainty and rising inflation.

Gold Review and Outlook, Goldman Sachs & Co, 85, Broad Street, New York, NY 10004.

Lead and zinc consumption declines

By Our Commodities Staff

CONSUMPTION OF lead and zinc in non-socialist countries in the first seven months of 1985 was over 2 per cent down on the same period last year, according to figures revealed yesterday by the International Lead and Zinc Study Group.

The fall in zinc demand was particularly marked in the U.S., with much smaller declines in Europe and in Japan. Lead consumption weakened in both the U.S. and Europe, but held firm in Japan.

Preliminary figures put lead consumption at 2.229m tonnes, against 2.278m for the same period in 1984, and zinc consumption at 2.764m tonnes, compared with 2.835m.

EEC wheat sale

THE EEC Commission granted no export licences at yesterday's weekly tender for either soft wheat or barley, French traders reported.

Cut urged in tin support price

BY STEFAN WAGSTYL

THE INTERNATIONAL Tin Council, which operates the tin market's price support system, is facing a new call to bring down prices.

Broker Shearson Lehman Brothers says that high prices are the prime cause of the world tin industry's problems, chracterised by high stocks and a "catastrophic" fall in consumption.

"The tin price will either have to be lowered in a controlled fashion by the ITC or (much less likely) it will decline sharply in the wake of an ITC failure," says a report from the broker's London metals and mining research unit.

These criticisms echo the views of Dr Guenter Behrendt, a senior West German official, who last month urged the International Tin Council to reform the current, sixth, International Tin Agreement (ITA) before it expires in 1987.

The critiques coincide with the ITC's efforts to prepare the ground for negotiations on a seventh ITA, due to begin next year.

Shearson says that ITA export controls, imposed on members three years ago, have led to huge production increases by non-members, notably Brazil. As a result ITC members now control only 57 per cent of world tin production, against 71 per cent in 1981. This proportion will fall to 50 per cent by 1987, says the report.

The report forecasts that next year Brazil will become the world's second largest tin producer, behind Malaysia, though only because ITC members including Indonesia and Thailand are cutting exports.

Brazil has so far resisted attempts to persuade it to join the ITC, arguing that its young mining industry should not yet be hindered by export restrictions.

Shearson predicts that world tin production will rise gently over the next three years from a forecast 164,900 tonnes in 1985 to 165,900 next year and 168,700 tonnes in 1987.

Meanwhile consumption, which has settled after falling from a peak in 1970s, is expected to rise slightly from a forecast 184,500 tonnes this year to 186,500 tonnes in 1986 and 187,000 tonnes in 1987.

As a result world tin stocks, held by the ITC, by mines and by the U.S. Government's General Services Administration's strategic stockpile are expected to fall from a total of 284,000 tonnes at the end of 1984.

Looking at the uses of tin, the report says that the decline in tin plate consumption as a result of the increased use of aluminium and plastics in packaging has, for the moment at least, been arrested. Consumption of solder in electronics is likely to compensate for falling usage in other industries. However, the use of tin in chemicals—such as wood preservatives and anti-fouling paints—is expected to continue expanding.

Turning to likely price movements, Shearson says that the price of tin on the London Metal Exchange will largely be determined by currency movements, so a forecast rise in sterling against the U.S. dollar is likely to bring gently declining sterling tin prices. It says the cash price for tin will average £9,100 a tonne for the second six months of 1985, with a range of £9,620 to £8,800. And for 1986, the report forecasts an average price of £8,300 a tonne.

It predicts that the Malaysian price will move between M$30.00 and M$32.06, with an average of M$31.50 in the second half of 1985, and will average M$31.75 next year.

Annual Review of the world tin industry 1985, Shearson Lehman Bros, Peninsular House, 36, Monument Street, London EC3.

LONDON'S commodity markets were once again quiet and currency-dominated yesterday. On the London Metal Exchange, three-months copper ended £4 a tonne higher on the day in largely routine trading, easing from the day's highs as sterling rallied against the dollar. Aluminium lost its morning gains during the afternoon to close slightly down, while nickel and lead eased and zinc rose. In soft commodities, cocoa futures showed gains of between £5 and £14 a tonne on the day, supported by currency uncertainties and protective buying in view of concern about West African crop prospects. The robusta coffee futures market remained very quiet ahead of next week's International Coffee Organisation meeting. Sugar futures eased on reports of a sale by El Salvador.

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	753-4	—1	—
3 months	776-7	+.75	784/772

Official closing (am): Cash 757-.5 (752-.5), three months 779-.5 (775-.5), settlement 757.5 (752.5). Final Kerb close: 773-4. Turnover: 25,900 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/low
Cash	1056-7	+2.5	1047
3 months	1084-5	+4	1070/1055

Official closing (am): Cash 1041-2 (1025-.5), three months 1068-9 (1053-.5), settlement 1042 (1025.5). Final Kerb close: 1067-8.

Cathodes			
Cash	1017-8	+8	1017
3 months	1043.5-4	+6.25	1044/1053

Official closing (am): Cash 1015-7 (1002-4), three months 1043-5 (1028-30), settlement 1017 (1004). Turnover: 20,250 tonnes. U.S. Producer prices 65-69 cents per pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	
Cash	297-8	—2.5	305.5/304.5
3 months	301-2	—2.5	306/305.5

Official closing (am): Cash 304-.5 (302.5-3), three months 304-.5 (302.5-3), settlement 304.5 (303). Final Kerb close: 300.5-1. Turnover: 23,325 tonnes. U.S. Spot: 18.50-20 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	3555-65	—37.5	3600
3 months	3595-605	—33	3660/3580

Official closing (am): Cash 3600-10 (3575-80), three months 3610-20 (3605-10), settlement 3610 (3580). Final Kerb close: 3580-90. Turnover: 990 tonnes.

TIN

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low for day
Cash	9200-5	+13	—
3 months	9163-4	+11	—

Official closing (am): Cash 9200-5 (9174-5), three months 9168-70 (9137-42), settlement 9205 (9175).

Standard			
Cash	9200-5	+13	9205
3 months	9163-4	+11	9170/9150

Official closing (am): Cash 9200-5 (9174-5), three months 9166-8 (9137-42), settlement 9205 (9175). Final Kerb close: 9155-60. Turnover: 1,875 tonnes. Straits tin M$29.87 (29.65) kilo.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	531-2	+4.5	—
3 months	536-7	+4	540/529

Official closing (am): Cash 532-3 (520-1), three months 537-8 (526-7), settlement 533 (521). Turnover: 7,950 tonnes. U.S. Prime Western: 41-41.75 cents per pound.

GOLD

Gold fell just $⅝ an ounce from Wednesday's close in the London bullion market yesterday to finish at $320-320½. The metal opened at $320½-321 and traded between a high of $320¾-321¼ and a low of $316½-317. The dollar's weaker trend in the afternoon helped gold recover from the morning's lows but once again the firmer trend attracted fresh selling, so restricting the extent of the rise.

GOLD BULLION (fine ounce) Sept. 12

Close	$320-320½	(£r44½-245)
Opening	$320½-321	(£245¾-246¼)
M'nl'g fix.	$318.00	(£244.936)
Aft'n'n fix	$319.25	(£244.262)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$325-325¾	(£248-248½)
½ Krug.	$170-170½	(£129¾-130)
¼ Krug.	$86¾-87¼	(£66¼-66½)
1/10 Krug.	$35½-36	(£27-27½)
Mapleleaf	$330¼-331	(£252¼-252½)
New Sov.	$75¾-76½	(£57¾-58¼)
½New Sov	$46-46½	(£35-35½)
Old Sov.	$80-81½	(£61-62¼)
$20 Eagle	$440-490	(£335¼-374)
Noble Plat	$317¼-321	(£244-247)

SILVER

Silver was fixed 0.25p an ounce higher for spot delivery in the London bullion market yesterday at 459.25p. U.S. cent equivalents of the fixing levels were: spot 597.5c, down 7c; three-month 609.4c, down 7.45c; six-month 622.3c, down 6.7c; and 12-month 650.4c, down 6.35c. The metal opened at 462½-465½p (603-606c) and closed at 460-463p (602-605c).

SILVER per troy	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	459.25p	+0.25	458.25p	-2.25
3 months	471.80p	-0.10	471.25p	-2.25
6 months	484.45p	+0.70	—	
12 months	509.45p	+0.75	—	

LME—Turnover: 124 (550) lots of 10,000 oz. Three months high 471.5, low 471p, final kerb 471-2p.

RUBBER

PHYSICALS—London closing prices (buyers) for RSS No 1: spot 62.50p (same): October 59.00p (same); November 59.00p (same). Kuala Lumpur fob price (Malaysia/Singapore cents per kg RSS No 1 181.5 (181.75). SMR 20 145.5 (same).

INDICES

FINANCIAL TIMES

Sep. 11	Sep. 10	M'th ago	Year ago
253.29	253.04	254.88	292.72

(Base: July 1 1952 = 100)

REUTERS

Sep. 12	Sep. 11	M'th ago	Year ago
1740.7	1740.1	1711.8	1863.0

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Sept. 11	Sept. 10	Month ago	Year ago
Spot	111.60	111.72	—	126.52
Fut.	112.57	118.42	—	126.72

(Base: December 31 1974 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Sept 12 1985	+ or —	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt	$1080/60		$1070/90
Copper			
Cash h Grade	£1036.5	+2.25	£1023.5
3 mths	£1064.5	+4	£1048.5
Gold Troy oz	$320.25	-0.25	$331
Lead Cash	£297.5	-2.5	£299.5
3 mths	£301.5	-0.25	£297.5
Nickel			
Free Mkt	212/232c		222/242c
Palladium oz	$97.25	-0.85	$104.75
Platinum oz	$306.50	-5.75	$302.50
Quicksilver†	$290/300		$290/300
Silver troy oz	459.25p	+0.25	451.20p
3 months	471.80p	-0.10	463.20p
Tin cash	£9202.5	+13	£9120.5
3 months	£9163.5	+11	£9080.5
Tungsten	$67.39		$71.85
Wolfram 22.5lb	$65/70		$65/70
Zinc	£531.5	+4.5	£523.5
3 months	£536.5	+4	£528.5
Producers	$780/830		$850
OILS			
Coconut (Phil)	$427.5z	-2.5	$465
Palm Malayan	$342.5y		$415
SEEDS			
Copra Phil	$285z		$335
Soyabean (U.S.)	$207.6	+1.55	$217
GRAINS			
Barley Fut. Nov.	£104.40	-0.30	£102.50
Maize	£129.50y		£133.40
Wheat Fut. Nov.	£104.55	-0.40	£101.55
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1788.5	+13	£1717.5
Coffee Ft. Nov.	£1665	-12.5	£1722
Cotton A Index	53.95c	+0.2	56.80c
Gas Oil Nov.	$239	-1	$251.75
Rubber (kilo)	62.5p		62.5p
Sugar (raw)	$134z	-6.5	$125.5
Wooltops 64s	480p kilo	+2	428pkilo

‡ Unquoted. z Sept-Oct. y Oct. † Per 76-lb flask. c Cents per pound.

COCOA

Opening £10 higher futures held the gains throughout the day and closed quietly. Physicals were again trading in the second-hand market at premiums marginally above those of Wednesday but producers and consumers were withdrawn, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Sept.	1738-1744	+14.0	1745-1735
Dec.	1788-1789	+13.0	1797-1782
March	1807-1808	+13.0	1815-1800
May	1824-1826	+16.0	1828-1817
July	1834-1835	+11.0	1840-1828
Sept.	1844-1845	+5.0	1848-1842
Dec.	1842-1847	+4.5	1848-1846

Sales: 2,318 (1,460) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound). Daily price for September 11: 101.81 (101.69); five-day average for September 12: 103.25 (104.03).

COFFEE

Lower sterling influenced a steady but quiet opening, reports Drexel Burnham Lambert. Light commission house buying extended initial gains before a retracement in New York and a recovery in sterling prompted a retreat.

COFFEE	Yesterday's Close	+ or —	Business Done
Sept.	1694-1625	—11.0	1657-1625
Nov.	1664-1665	—12.5	1685-1652
Jan.	1700-1703	—12.0	1732-1699
March	1733-1735	—12.0	1765-1733
May	1768-1779	—15.0	1784-1768
July	1780-1800	—7.5	1829
Sept.	1790-1849	+4.5	1845

Sales: 1,560 (943) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for September 12: Comp. daily 1979 (117.37 (117.40); 15-day average 119.51 (119.80).

GRAINS

The markets were easier on further profit-taking and increased spot physical offers. After moving down about 50 prices rallied a little on trade buying against a lack of forward physical offers. Values remained in a narrow range in relatively quiet trading, reports Muirpace.

WHEAT			BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterdys close	+ or —
Sept.	104.25	—0.50	102.60	—0.69
Nov.	104.65	—0.40	104.40	—0.30
Jan.	107.90	—0.50	108.15	—0.55
Mar.	110.90	—0.45	111.10	—0.40
May	114.10	—0.50	114.00	—0.35
July	116.70	—0.55	—	—

Business done—Wheat: Sept 104.40-4.00, Nov 104.75-4.60, Jan 108.10-7.95, Mar 111.10-10.95, May 114.25-4.20, July 117.00-6.70. Sales: 174 lots of 100 tonnes. Barley: Sept 102.60 only, Nov 104.60-4.40, Jan 108.40-8.10, Mar untraded, May 114.10-4.00. Sales: 42 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 15 per cent Oct 131.25, Nov 133.25, Dec 135.25 transhipment east coast. U.S. no 2 soft red winter Oct 112.50, Nov 114.75, Dec 16.00, EC Sept 18.00. English feed fob Sept 105.50 seller, Oct 106.50, Oct/Dec 107.50 seller, Jan/Mar 112.00-112.50 buyer/seller, April/June 117.50 seller. Maize: U.S. no 3 yellow/French transhipment east coast Oct 129.50. Barley: English feed fob Sept 101.60 paid east coast. Sept 101.25-102.00. Oct 105.0-105.50 buyer/sellers. Oct/Dec 107.25 seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 97.30, S. West 98.40, W. Mids 92.20, N. East 94.40. The UK monetary coefficient for the week beginning Monday September 16 (based on HGCA calculations using five days' exchange rates) will remain unchanged.

MEAT

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Oct.	114.60	115.50	114.5-115.7
Nov.	115.80	115.00	115.5-114.7
Feb.	102.90	102.40	102.8
April	104.30	103.50	105.7-103.1
June	102.70	101.90	102.5
Aug.	101.50	100.90	101.2

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.40p per kg lw (—0.17). GB—Sheep 147.55p per kg est dcw (+5.36). GB—Pigs 85.31p per kg lw (+2.21).

U.S. MARKETS

PRECIOUS METALS suffered modest declines as traders evened up positions ahead of the announcement of key economic indicators and expectations that U.S. producer prices during August will show little change, reports Heinold Commodities. Copper and aluminium remained steady awaiting the U.S. industrial production report. Sugar weakened in response to reports that Thailand had advanced delivery dates on some shipments. The emergence of good manufacturer pricing rallied cocoa values in light of uncertain new crop prospects. Coffee remained featureless with most traders remaining sidelined ahead of the International Office Organisation meeting next week. Cotton firmed on a lower than expected production estimate by USDA. The energy complex recovered from sharp losses early in the session as better trade demand emerged which supported cash values. The grain complex firmed on the lack of cash offers and reports of commercial interest. Soyabeans benefitted from the firmer tone which prompted professional short-covering.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Sept	43.35	43.30	43.15	43.30
Oct	43.65	—	—	43.80
Nov	44.05	—	—	43.90
Dec	44.40	44.45	44.20	44.35
Jan	44.80	—	—	44.75
March	45.55	45.55	45.40	45.50
May	46.25	—	—	46.20
July	46.95	46.90	46.90	46.90
Sept	47.65	—	—	47.60
Jan	49.05	—	—	49.00

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Sept	2083	2080	2052	2060
Dec	2158	2165	2132	2130
March	2206	2210	2180	2179
May	2225	2215	2200	2198
July	2245	2215	2215	2219
Sept	2248	2251	2225	2228
Dec	2253	2250	2250	2230

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Sept	133.70	134.30	133.50	134.20
Dec	135.77	136.60	135.60	135.61
March	137.15	138.00	137.00	137.30
May	138.33	138.30	138.30	138.25
July	138.75	139.10	139.10	138.56
Sept	139.50	—	—	140.00
Dec	139.50	—	—	139.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Sept	59.70	60.50	59.50	59.75
Oct	59.95	—	—	60.00
Nov	60.25	—	—	60.05
Dec	60.60	60.90	60.45	60.55
Jan	60.85	—	—	60.90
March	61.35	61.65	61.25	61.45
May	61.70	61.90	61.65	61.80
July	62.05	62.25	62.15	62.20
Sept	62.40	62.70	62.70	62.60
Dec	62.95	63.15	63.15	63.25

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	58.63	58.70	58.31	58.30
Dec	58.45	58.50	57.82	57.83
March	59.50	59.50	59.00	58.88
May	59.85	59.85	59.50	59.27
July	59.05	59.03	58.80	58.70
Oct	53.75	53.85	53.75	53.52
Dec	52.80	52.90	52.60	52.69

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Oct	27.94	28.03	27.83	27.98
Nov	27.38	27.46	27.15	27.15
Dec	26.88	26.94	26.65	26.64
Jan	26.48	26.54	26.26	26.26
Feb	26.17	26.17	26.04	25.96
March	25.85	25.91	25.70	25.68
April	25.52	25.48	25.48	25.42
May	25.36	25.35	25.25	25.18
June	25.05	26.00	25.00	24.95
July	24.92	24.92	24.89	24.77

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	320.8	—	—	321.1
Oct	322.0	323.0	318.5	322.4
Nov	324.1	—	—	321.0
Dec	326.3	327.5	323.0	326.7
Feb	330.7	331.0	327.5	331.1
April	335.0	335.3	331.0	335.4
June	339.9	338.5	338.5	340.3
August	344.8	341.7	341.5	345.2
Oct	349.8	—	—	350.2
Dec	354.8	354.1	354.0	355.2
Feb	360.1	—	—	360.5
April	365.5	—	—	365.9
June	371.2	—	—	371.6

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Oct	78.59	79.25	77.28	78.[illegible]
Nov	78.55	79.00	77.60	78.[illegible]
Dec	78.30	78.80	77.70	78.[illegible]
Jan	77.80	78.28	77.78	77.[illegible]
Feb	76.40	76.50	75.60	76.[illegible]
March	73.10	73.20	72.50	72.70
April	70.00	—	—	70.00

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Sept	137.60	139.50	137.10	138.75
Nov	133.55	134.00	132.20	131.40
Jan	129.30	129.30	128.00	128.[illegible]
March	126.85	126.90	128.00	124.70
May	126.15	125.25	125.00	123.70
July	124.80	125.25	125.25	123.80

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	312.3	—	—	315.2
Oct	312.8	315.0	309.8	318.7
Jan	312.6	316.0	309.5	318.5
April	316.8	318.5	312.5	318.5
July	319.2	319.5	319.5	322.1
Oct	323.2	324.0	324.0	324.1

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Sept	602.4	607.6	597.5	606.4
Oct	604.7	—	—	607.7
Nov	608.7	—	—	605.7
Dec	613.0	619.0	608.5	616.0
Jan	617.5	616.0	614.5	620.5
March	626.3	631.5	621.0	629.4
May	635.6	639.0	631.0	638.7
July	645.5	650.0	640.0	649.8
Sept	655.8	659.0	654.0	659.8
Dec	671.5	674.0	666.5	674.6

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Oct	5.17	5.36	5.18	5.32
Jan	5.34	5.43	5.30	5.52
March	5.69	5.78	5.66	5.78
May	5.85	5.92	5.81	5.91
July	6.08	6.13	6.08	6.10
Oct	6.48	6.50	6.37	6.31
Jan	6.50	—	—	6.46

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	53.86	54.57	53.12	53.07
Dec	57.12	57.60	55.80	56.00
Feb	55.90	56.57	55.00	55.07
April	56.85	57.27	55.70	55.77
June	57.70	58.45	56.70	56.98
August	56.50	57.10	55.78	55.80

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	36.75	37.46	35.97	36.12
Dec	38.72	39.45	37.96	38.02
Feb	39.57	40.45	38.95	38.96
April	37.07	38.10	36.55	36.85
June	41.07	41.55	40.50	40.78
July	41.70	41.97	41.00	41.28
August	41.30	41.80	40.80	40.65
Oct	38.95	39.25	38.30	38.67
Dec	39.35	39.35	39.35	38.87

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Dec	218.6	220.4	216.2	217.6
March	229.0	230.4	226.2	226.2
May	236.0	236.4	233.6	235.2
July	239.2	240.4	237.0	236.6
Sept	230.0	231.2	229.2	230.2
Dec	228.2	228.6	226.4	228.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	59.10	59.75	57.82	57.75
March	59.35	59.90	58.15	57.80
May	60.47	61.10	59.00	59.10
July	60.70	61.05	59.55	59.05
August	58.80	59.05	58.80	57.05

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Sept	511.6	512.6	506.0	508.2
Nov	508.2	510.0	502.4	506.4
Jan	518.2	520.0	512.4	516.6
March	529.2	530.6	524.0	527.6
May	539.0	540.0	534.4	538.0
July	545.0	545.4	539.4	543.4
August	545.0	545.0	539.0	542.4
Sept	534.4	537.4	534.0	536.4
Nov	534.0	539.0	532.4	536.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Sept	128.8	128.8	126.4	126.7
Oct	129.7	129.5	127.0	127.8
Dec	133.5	133.7	130.5	131.4
Jan	135.1	135.3	132.0	132.6
March	137.5	137.5	136.0	134.8
May	138.9	139.0	136.5	137.0
July	141.3	141.5	139.0	138.2
August	141.7	—	—	138.5
Sept	139.5	—	—	138.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Sept	21.65	21.68	21.35	21.41
Oct	21.14	21.20	20.94	21.34
Dec	20.95	21.05	20.80	21.04
Jan	21.15	21.23	21.00	21.34
March	21.55	21.56	21.35	21.60
May	21.80	21.80	21.70	21.85
July	22.01	22.20	22.00	22.15
August	22.16	—	—	22.28
Sept	22.27	22.32	22.25	22.30
Oct	22.33	—	—	22.32

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Sept	280.4	284.0	278.6	279.0
Dec	293.0	294.4	288.4	288.4
March	301.0	301.0	295.5	295.6
May	298.4	298.4	294.4	294.4
July	281.0	281.0	277.0	277.0
Sept	285.0	285.0	281.0	278.8

SPOT PRICES—Chicago loose lard 16.50 (same) cents per pound. New York tin 551.0-63.0 (552.0-58.0) cents per pound. Handy and Harman silver bullion 603.0 (604.5) cents per troy ounce.

SOYABEAN MEAL

	Yesterday close £ per tonne	+ or —	Business Done
October	128.0-122.8	—0.60	123.0-122.8
Dec.	121.5-122.0	—1.15	125.5
Feb.	125.0-125.6	—1.20	126.7
Apr.	126.0-128.5	—1.35	—
June	126.5-127.5	—1.10	—
August	127.5-129.5	—0.50	—
October	128.5-131.5	—0.50	—

Sales: 260 (152) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $134.00 (£103.00), down $6.50 (down £3.50) a tonne for September-October delivery. White sugar $174.50, down $5.50.

Prices began to consolidate after Wednesday's correction, reports C. Czarinkow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Oct.	137.0-157.4	140.4-146.0	141.0-156.2
Dec.	141.0-141.8	143.8-144.8	144.0-140.8
Mar.	150.6-151.0	151.6-151.8	152.4-150.0
May	154.2-154.4	154.8-155.0	155.2-155.4
Aug	159.2-160.4	159.6-161.0	159.6
Oct	165.4-166.4	166.0-166.8	166.4-165.8

Sales 2,817 (3,706) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis sugar was £206.50 (£210,000) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for September 11: daily price 5.30 (5.27): 15-day average 4.82 (4.74).

PARIS—(FFr per tonne): Oct 1583/1576, Dec 1590/1580, Mar 1567/1569, May 1610/1615, Aug 1650/1665, Oct 1695/1710.

FREIGHT FUTURES

The market registered early sharp gains which were eroded by trade selling. Levels remained unchanged until further fresh selling on the close left values at the day's lows, reports Clarkson Wolff. The Baltic Freight Index was 755, up 8.

	Close	High/Low		Prev.
Oct.	838/840	850/840	837	840
Jan.	858/890	890/884	882	885
April	942/947	947/945	936	943
July	863/857	865/860	850	865
Oct.	925/975	—	900	965
Jan.	980/1020	—	1000	1050
April	975/1020	—	1000	1080
July	930/1000	—	920	1000

OIL

The crude market was thin and uncertain with very few trades concluded. October Brent is about to become operational and was therefore more stable than the subsequent months. Nymex WPI opened 5c up from October and traded at 7c up at 1.30 pm EDT. Naphtha prices eased on reduced buying interest and reports of unsold cargoes. Gas oil trade was quiet with prices softening slightly as buyers were cautious in the wake of the firmer dollar. Heavy fuel prices strengthened on short-covering demand into the UK and Amsterdam-Rotterdam-Antwerp—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Sept.		
Arab Light	27.35-27.45*	—
Arab Heavy	25.20-25.50*	—
Dubai	26.10-26.20*	+0.05
Brent Blend	27.10-27.20*	+0.28
W.T.I. (1pm est)	27.95-27.98*	+0.05
Forcados (Nigeria)	28.00-28.20	+0.10
Urals. (cif NWE)	26.80-27.00	+0.15
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	266-268	—
Gas Oil	245-247	—
Heavy fuel oil	138-141	+2
Naphtha	249-251	—0.5

* October.

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
Oct.	242.00	—1.00	242.25-42.75
Nov.	239.00	—1.00	239.50-37.75
Dec.	236.75	—0.25	236.75-35.50
Jan.	234.50	+0.25	234.75-33.50
Feb.	232.00	+0.75	—

Turnover: 1,217 (1,078) lots of 100 tonnes.

WOOL FUTURES

SYDNEY GREASY WOOL—Prices firmed gradually throughout the week in line with physical markets. Business was quiet but picked up on Wednesday and Thursday and a total of 118 lots were concluded. Prices (compared with Thursday, September 5) in Australian cents per kg (close, comparison, business done): Oct 611.5-15.0, +5.25, 612.0-10.0; Dec 618.0-20.0, +8, 620.0-16.0; Mar 622.5-27.0, +7.75, 623.0-20.0.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases ahead of figures

The dollar finished well below yesterday's best levels and in most cases was down from Wednesday as profit taking developed ahead of today's U.S. economic statistics. Trading was without any real direction and currencies tended to fluctuate as a result. While the bulls were expecting to see from today's figures that the U.S. economy was expanding at an increased rate, there was some uncertainty as to how much the current level of the dollar had already discounted the possibility of such news.

There appeared to be some confusion as to how much stronger the dollar could be pushed. This lack of concensus together with those believing that it was unwise to base economic assumptions on one month's set of figures, pushed the dollar weaker. In addition to the release today of retail sales, industrial production and producer prices, the market was also unwilling to act ahead of U.S. money supply figures, due for release yesterday after the close of business in London.

Against this background the dollar slipped from a high of DM 2.9800 to finish at DM 2.9420 down from DM 2.9610. It fell against the yen to Y243.10 from Y243.50 and SwFr 2.4230 from SwFr 2.4390. Against the French franc it slipped to FFr 8.9625 compared with FFr 9.02 on Wednesday. On Bank of England figures, the dollar's exchange rate index fell to 142.2 from 142.4.

STERLING — Trading range against the dollar in 1985 is 1.4290 to 1.0525, August average 1.3838. Exchange rate index rose to 80.2 from 79.9, having opened at 79.8 and touching a low of 79.7. This six months ago figure was 71.8.

Sterling finished at its best level of the day, recovering during the afternoon mostly on the dollar's weaker trend. Against the dollar it rose to $1.3195-1.3205, a rise of 1.2c. It was also higher against the D-mark at DM 3.8850 from DM 3.8725 and Y321.0 from Y318.50. Against the Swiss franc it rose to SwFr 3.1975 from SwFr 3.19 and FFr 11.83 compared with FFr 11.80.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.7425. August average 2.7936. Exchange rate index 124.2 against 118.9 six months ago.

The dollar was fixed at DM 2.9691 against the D-mark at yesterday's fixing in Frankfurt, up from DM 2.9388 on Wednesday and there was no intervention by the Bundesbank. Yesterday's fixing was the highest for just over two months and reflected hopes that today's U.S. economic data would provide further support for a stronger economy.

STERLING INDEX

	Sept 12	Previous
8.30 am	79.8	80.2
9.00 am	79.9	80.1
10.00 am	78.8	80.2
11.00 am	79.7	80.4
Noon	79.7	80.4
1.00 pm	79.9	80.4
2.00 pm	80.0	80.1
3.00 pm	79.9	79.8
4.00 pm	80.2	79.9

£ IN NEW YORK

	Sept. 12	Prev. close
£ Spot	$1.3175-1.3195	$1.3085-1.3075
1 month	0.39-0.35 pm	0.38-0.37pm
3 months	1.01-0.97 pm	1.01-0.98pm
12 months	2.60-2.50 pm	2.67-2.57pm

Forward premiums and discounts apply to the U.S. dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.9697	+0.31	+0.66	±1.5425
Danish Krone	8.12857	8.07160	−0.70	−0.35	±1.6421
German D-mark	2.23840	2.22876	−0.43	−0.08	±1.1455
French Franc	6.86402	6.79345	−1.03	−0.68	±1.3654
Dutch Guilder	2.52208	2.50307	−0.75	−0.40	±1.5162
Irish Punt	0.724578	0.716550	−1.11	−0.76	±1.6673
Italian Lira	1520.60	1483.99	−2.41	−2.40	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

Sept 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2930-1.3225	1.3195-1.3205	0.37-0.34c pm	3.23	1.01-0.96pm	2.98
Canada	1.7835-1.8105	1.8075-1.8105	0.42-0.33c pm	2.49	1.05-0.91pm	2.17
Nethlnd.	4.32-4.36¾	4.35¾-4.36¾	2⅛-1⅞c pm	5.50	6-5¾pm	5.39
Belgium	77.65-78.40	78.30-78.40	20-13c pm	2.53	47-34pm	2.07
Denmark	13.99¼-14.09¾	14.08¾-14.09¾	3½-2⅝ore pm	2.77	10½-8¾pm	2.82
Ireland	1.2392-1.2446	1.2407-1.2417	0.24-0.08p pm	1.55	0.55-0.25pm	1.29
W. Ger.	3.85¼-3.89	3.88-3.89	2¼-2⅛pf pm	6.76	6¾-6½pm	6.82
Portugal	227¼-232¼	229½-232½	65-395c dis	−12.01	400-1380dis	−15.50
Spain	227½-229	228½-229	5-55c dis	−1.57	45-155dis	−1.75
Italy	2,561-2,593½	2,592½-2,593½	1 lire pm-4 dis	−0.89	4-11dis	−1.18
Norway	11.21½-11.37	11.36-11.37	½-1ore dis	−0.69	2½-3½dis	−0.95
France	11.74-11.83½	11.82½-11.83½	2-1½c pm	1.71	4¼-3½pm	1.37
Sweden	11.26¾-11.38¼	11.37¾-11.38¾	3½-4½ore dis	−4.09	9½-10½dis	−3.58
Japan	316-321½	320½-321½	1.40-1.30y pm	5.05	4.05-3.90pm	4.95
Austria	27.15-27.20	27.15-27.20	14¾-13¾gro pm	6.18	42½-38½pm	5.96
Switz.	3.17½-3.20¼	3.19¼-3.20¼	1⅞-1⅝c pm	6.80	5½-5¼pm	6.72

Belgian rate is for convertible francs. Financial franc 79.50-79.60. Six-month forward dollar 1.70-1.65c pm, 12-month 2.60-2.45c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2930-1.3225	1.3195-1.3205	0.37-0.34c pm	3.23	1.01-0.96pm	2.98
Ireland†	1.0438-1.0587	1.0575-1.0585	0.20-0.10c pm	1.72	0.55-0.35pm	1.72
Canada	1.3721-1.3748	1.3731-1.3736	0.07-0.10c dis	−0.74	0.26-0.31dis	−0.83
Nethlnd.	3.3040-3.3480	3.3050-3.3060	0.67-0.64c pm	2.36	2.11-2.06pm	2.51
Belgium	59.30-60.11	59.30-59.40	3-5c dis	−0.80	14-17dis	−1.03
Denmark	10.67-10.79	10.67-10.67½	½-⅜ore dis	−0.56	⅛-⅜dis	−0.19
W. Ger.	2.9350-2.9800	2.9415-2.9425	0.93-0.88pf pm	3.65	2.87-2.82pm	3.82
Portugal	175¾-177½	175¾-176¾	100-350c dis	−15.28	450-1200dis	−18.67
Spain	173.10-174.80	173.10-173.40	50-80c dis	−4.46	170-250dis	4.80
Italy	1,964-1,979½	1,964-1,965	7-8 lire dis	−4.55	20½-22dis	−4.29
Norway	8.60½-8.66¾	8.60½-8.61½	2½-3ore dis	−3.82	8¼-8¾dis	−3.94
France	8.95½-9.08	8.96-8.96½	1.02-1.17c dis	−1.45	3.45-3.75dis	−1.59
Sweden	8.60-8.69¼	8.61½-8.62½	5-5½ore dis	−7.26	14-14½dis	−6.57
Japan	242.90-244.15	243.05-243.15	0.40-0.34y pm	1.82	1.28-1.18pm	2.02
Austria	20.80-20.93	20.60-20.65	5½-4⅝gro pm	2.95	17-14½pm	3.02
Switz.	2.4200-2.4575	2.4225-2.4235	0.79-0.73c pm	3.73	2.30-2.24pm	3.71

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. *Belgian rate is for convertible francs. Financial franc* 80.20-80.30.

OTHER CURRENCIES

Sept 12	£	$		£ Note Rates
Argentina Austl.	1.0428-1.0460	0.8000-0.8010	Austria	27.00-27.30
Australia Dollar	1.9395-1.9435	1.4860-1.4875	Belgium	78.00-78.80
Brazil Cruzeiro	9,606-9,660	7,370-7,405	Denmark	13.92-14.06
Finland Markka	8.1235-8.1460	6.2395-6.2415	France	11.72-11.85
Greek Drachma	182.20-186.08	140.06-143.08	Germany	3.84½-3.89½

CURRENCY MOVEMENTS

Sept. 12	Bank of England Index	Morgan Guaranty Change %
Sterling	80.2	−9.4
U.S. dollar	142.2	+28.0
Canadian dollar	86.7	−7.6
Austrian schilling	114.4	+4.3
Belgian franc	90.3	−10.7
Danish Kroner	78.2	−5.7

CURRENCY RATES

Sept. 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.776307	0.676828
U.S.$	7¼	1.00846	0.749570
Canadian $	9.20	*	1.03107
Austria Sch	4	21.0335	15.6498
Belgian Fr	9½	60.3941	44.9697
Danish Kr	7	10.8662	8.07160
D mark	4	2.99422	2.22876

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Asian $ (closing rates in Singapore): Short-term 8-8⅛ per cent; seven days 8-8⅛ per cent; one month 8⅛-8⅜ per cent; three months 8⅛-8⅜ per cent; six months 8⅜-8½ per cent; one year 8⅝-8¾ per cent. Long-term Eurodollars: two years 9⅝-9⅞ per cent; three years 10⅛-10⅜ per cent; four years 10⅜-10⅝ per cent; five years 10⅝-10⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London rates steady in quiet trading

Conditions were very quiet and steady on the London money market yesterday. The recent money supply figures, and the decline of sterling on the foreign exchanges, appears to have ruled out any early reduction in clearing bank base rates, but at the same time there is no pressure for an increase. The pound's fall below $1.30 in the morning, and subsequent recovery had no impact. Three-month interbank was 11⅞-11 15/16 per cent throughout, compared with Wednesday's close of 11⅞-11⅞ per cent. Discount houses buying rates for three-month bank bills were unchanged at 11 11/32 per cent.

UK clearing banks base lending rate 11½ per cent since July 30

The Bank of England forecast a money market shortage of £500m in the morning, but changed this to £550m at noon, and to £600m in the afternoon.

Total help provided by the authorities was £529m.

Before lunch the Bank of England purchased £258m bills outright, by way of £1m bank bills in band 1 (up to 14 days maturity) at 11⅜ per cent; £161m bank bills in band 2 (15-33 days) at 11 7/16 per cent; £40m bank bills in band 3 (34-63 days) at 11½ per cent; and £56m bank bills in band 4 (64-91 days) at 11 7/16 per cent.

In the afternoon another £231m bank bills were bought outright, through £205m bank bills in band 2 at 11 7/16 per cent; £1m bank bills in band 3 at 11½ per cent; and £25m local authority bills in band 4 at 11 7/16 per cent.

Late assistance of £40m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £558m, with a rise in the note circulation absorbing £15m, and bank balances below target another £75m. These outweighed Exchequer transactions *adding £125m to liquidity*.

In Frankfurt the Bundesbank left the discount rate at 4 per cent and the Lombard rate at 5.5 per cent at yesterday's council meeting. Call money on the money market eased to 4.45 per cent from 4.50 per cent, in comfortable conditions after the injection of DM 2.3bn in liquidity on Wednesday from a securities repurchase agreement with the Bundesbank. The strength of *the dollar is not expected to force the central bank into pushing* up interest rates in the near future, but is likely to prevent any further decline.

MONEY RATES

Sept. 12	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.4-4.5	9⅝	1⅞-2⅛	5⅝-5¾	6.34375	14⅛-14½	6.15	—
One Month	4.6-4.7	9⅝-9¾	4 1/16-4 3/16	5¾-5 13/16	6.46875	13¾-14⅛	9 1/16-9 3/16	9⅝-9⅞
Two Months	4.6-4.7	9⅝-9¾	—	—	—	—	—	9¾-10
Three Months	4.6-4.7	9 11/16-9 13/16	4 3/16-4 5/16	5¾-5⅞	6.34375	13⅞-14¼	9 3/16-9 5/16	9⅞-10⅛
Six Months	4.60-4.75	9 11/16-9 13/16	—	5 11/16-5 13/16	—	—	9½-9¾	10-10¼
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	9⅝	—	—	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept. 12)

3 months U.S. dollars

bid 8 5/16	offer 8 7/16

6 months U.S. dollars

bid 8 5/8	offer 8 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Good volume

Volume was good on the London International Financial Futures Exchange yesterday. Dealers reported good two-way business, but trading was in a narrow range, without any new factors. Squaring of positions ahead of today's batch of U.S. economic data may have added to the level trading, with dealers reluctant to hold positions ahead of today's figures on retail sales; consumer credit; industrial production; and the producer price index. December Eurodollars opened firm at 91.21, and were steady at 91.19 to 91.21 until the Chicago opening, finishing just off the day's high at 91.21, compared with 91.19 previously. U.S. Treasury bonds showed a similar pattern, but the December contract was driven down to a low 74-03 before Chicago trading began, before closing a little below the peak at 74-12, against 74-02 on Wednesday.

Sterling denominated contracts tended to follow closely the performance of the pound on the foreign exchanges, falling during the morning, but recovering to finish near the day's highs. Gilt futures also gained some support from the upward move in the U.S. Treasury bond towards the close.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	91.21	91.22	91.18	91.19
March	90.84	90.85	90.81	90.82
June	90.47	90.49	90.44	90.45
Sept	90.12	90.13	90.12	90.09
Dec	89.78	—	—	89.75
March	89.46	—	—	89.43
June	89.18	—	—	89.15

Est volume 3,790 (5,270)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	131.35	131.40	130.15	130.50
Dec	132.00	132.00	131.00	131.15

Est volume 201 (331)
Previous day's open int 1,691 (1,681)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	75-20	75-20	75-17	75-10
Dec	74-12	74-15	74-03	74-02
March	73-10	—	—	73-02

Est volume 1,742 (1,864)
Previous day's open int 2,223 (2,415)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4135	0.4129	0.4119	0.4128
March	0.4160	0.4153	0.4153	0.4153

Est volume 42 (86)
Previous day's open int 238 (238)

CHICAGO

U.S. TREASURY BILLS (CBT) 8%

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	75-24	—	—	75-18
Dec	74-28	74-28	74-19	74-24
March	—	—	—	73-30
June	—	—	—	73-08
Sept	—	—	—	72-20

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £. Sterling showing good signs of resistance at 1.3 dollar level. Option volume moderate.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
49	783	11245	9128

Eurodollar Future—points of 100%. Traders awaiting U.S. retail and industrial production data tomorrow. Option trading in small volume.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
110	135	564	483

For full details of settlement prices call:
Louisa Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 11, 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. *All currencies are quoted in foreign currency units per one U.S. dollar* except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all *listed foreign currencies, and neither Bank of America NT & SA* nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of September 11 at 11.00 a.m.
3 months: 8¼ 6 months: 8⅝

ECU = US$.758152 SDR1 = US$1.01259
Sibor as of September 11 at 11.00 a.m.
3 months: 8¼ 6 months: 8⅝

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	7.6719
Algeria	Dinar	5.0487
Andorra	Fr. Franc	8.9625
	Sp. Peseta	173.15
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral (8)	0.801
Australia	Dollar	1.4817
Austria	Schilling	20.67
Azores	Port. Escudo	175.20
Bahamas	Dollar	1.00
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	8.9625
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, l)	3.81
Guinea Bissau	Peso	147.383
Guinea Rep	Syli	24.3764
Guyana	Dollar	4.12
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
	Lempira (d)	2.55
Hong Kong	Dollar	7.814
Paraguay	Guarani (o.c.)	240.00
	Guarani (d)	827.50
Peru	Sol (o) (2)	13942
Philippines	Peso	18.60
Pitcairn Is.	N.Z. Dollar	1.935
Poland	Zloty (o) (3)	163.05
Portugal	Escudo	175.20
Puerto Rico	U.S. dollar	1.00
Qatar	Riyal	3.641
Reunion, Il de la	Fr. Franc	8.9625
Romania	Leu (o)	4.21
	Leu (c)	12.48

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101½	99¾	Exch. 12¼pc 1985	100	.....	12.25	11.65
101½	99½	Exch. 11¾pc '86	100¼	+¼	11.74	11.35
99½	97½	Treas. 10pcCnv 1986	99⅜xd	.....	10.06	11.27
95⅞	92¼	Treas 3pc 1986	95⅞	.....	3.13	9.36
100	97½	Exch. 10½pc Cv '86	99½	.....	10.56	11.27
101⅞	99¼	Treas 12pc 1986	100½	.....	11.93	11.08
98½	94¾	Treas 8¾pc 1984-86‡‡	98⅛	.....	8.66	10.87
105½	102½	Exch. 14pc 1986	102⅞	–¼	13.61	11.13
94½	87¾	Exch. 2½pc 1986	94⅛	.....	2.65	7.62
104½	101¼	Exch. 13¼pc 1987	102¾	–¼	12.88	10.82
99½	96⅝	Treas 10¼pcCv '87	99¼	+¼	10.33	10.77
92½	85½	Exch 2½pc 1987	92¼	.....	2.70	7.88
100	96¾	Exch. 10½pc 1987	99⅝xd	.....	10.54	10.80
94⅝	89	Funding 6½pc '85-87‡‡	94½	+½	6.91	10.53
99½	95½	Treas. 10pc 1987	98⅝	.....	10.14	10.84
91	84¾	Treas 3pc 1987	90⅞	.....	3.30	8.46
102½	99⅛	Treas. 12pc 1987	101⅞	–¼	11.78	10.93
95	90¼	Treas 7¾pc 1985-88‡‡	94½	–¼	8.19	10.31
99½	95¼	Exch 10½pc '88	99½	.....	10.59	10.83
97½	93¼	Treas 9¾pc Cv '88	97½	.....	10.03	10.88
86½	80	Transport 3pc '78-88	86½	.....	3.49	8.71
96½	91½	Treas. 9½pc '88	96½	+½	9.87	10.91
102¼	97½	Treas 11½pc 1989	101¾	–¼	11.31	10.85
96⅝	90¾	Treas 9½pc Cnv. '89	96xd	–¼	9.89	10.90
82⅞	79	Treas 3pc 1989	82½	.....	3.64	8.68
99½	94	Treas 10½pc 1989	98½	–¼	10.61	10.85
98⅛	92	Exch.10pc 1989	97¼	–¼	10.28	10.87
101¼	95	Exch 11pc 1989	100½xd	–¼	10.94	10.87
85¾	79	Treas 5pc 1986-89	85¾xd	+¼	5.83	9.28
108⅝	103¼	Treas 13pc 1990‡‡	107½	–¼	12.09	10.74
101⅝	96½	Exch 11pc 1990‡‡	100½	–¼	10.95	10.82
108¼	100¼	Exch. 12½pc 1990	105⅞xd	–¼	11.81	10.85
77½	75¼	Treas. 3pc 1990●	77¾	.....	3.86	8.95
93	87¾	Treas 8¼pc 1987-90‡‡	92	–¼	8.97	10.41
		Five to Fifteen Years				
101¼	91⅞	Treas. 10pcCv 1990	100	.....	10.40	10.99
105⅞	97⅞	Treas 11¾pc 1991	104⅞	.....	11.43	11.02
87⅞	80	Funding 5¾pc '87-91‡‡	84½xd	.....	6.78	9.31
105¼	95	Exch. 11pc 1991	104¼	.....	11.00	10.98
111¼	101⅞	Treas 12¾pc 1992‡‡	109⅝	.....	11.83	10.99
99⅛	88⅝	Treas 10pc 1992	96¾	.....	10.40	10.84
102⅞	94¼	Treas 10½pc Cv 1992‡‡	101¼	.....	10.71	10.91
110⅛	98¼	Exch. 12¼pc '92	106¼	.....	11.60	11.06
117¾	105	Exch 13½pc 1992	111¼xd	.....	12.11	11.11
111¾	101¼	Treas 12½pc 1993‡‡	109⅝	.....	11.62	11.02
83⅝	74⅞	Funding 6pc 1993‡‡	80¼xd	.....	7.47	9.58
119⅝	109¾	Treas 13¾pc 1993‡‡	118⅛	+¼	12.04	11.09
125¾	111¾	Treas 14½pc 1994‡‡	119⅞xd	.....	12.14	10.93
119⅛	108⅛	Exch 13½pc 1994	118⅛	.....	11.92	11.07
113¼	100¼	Exch. 12½pc 1994	108⅞	.....	11.56	11.04
94	86¼	Treas 9pc 1994‡‡	93⅛	.....	9.98	10.69
108⅛	98⅜	Treas 12pc 1995	107⅛	+¼	11.38	11.03
71¼	62¼	Gas 3pc '90-95	70½	.....	4.32	7.52
98⅛	89⅝	Exch. 10¼pc 1995	97½	–¼	10.68	10.92
116⅛	106¼	Treas 12¾pc 1995‡‡	115⅝	.....	11.50	10.93
121¼	110⅝	Treas. 14pc '96	119⅝	.....	11.91	11.08
94¼	84½	Treas 9pc 1992-96‡‡	89¾xd	+¼	11.02	10.64
132⅛	121¼	Treas 15¼pc 1996‡‡	131¼	.....	12.12	11.05
120⅛	110⅛	Exch 13¼pc 1996‡‡	119⅛	.....	11.55	10.87
77¼	68½	Redemption 3pc 1986-96	75½xd	.....	3.96	6.05
118½	108⅛	Treas 13¼pc 1997‡‡	117	.....	11.51	10.89
102⅛	90½	Exch 10½pc 1997	98⅝	–⅛	10.72	10.80
91⅞	80⅞	Treas 8¾pc 1997‡‡	87⅜xd	–⅛	10.02	10.64
132¼	120⅛	Exch. 15pc 1997	131	–⅛	11.97	11.13
96	87⅞	Exch. 9¾pc 1998	94⅞	–⅛	10.44	10.71
78¼	70⅞	Treas 6¾pc 1995-98‡‡	77⅜	–⅛	9.01	10.35
138⅛	122⅞	Treas. 15½pc '98‡‡	129⅞xd	–⅛	11.87	11.03
112⅞	103¼	Exch. 12pc 1998	111¼	–⅛	11.12	10.84
95⅛	86⅝	Treas 9½pc 1999‡‡	94	–⅛	10.28	10.56
116⅛	103⅝	Exch. 12¼pc 1999	109¼xd	–⅛	11.12	10.81
103	94⅞	Treas. 10½pc 1999	102	–⅛	10.64	10.68
101⅛	92¾	Conversion 10¼pc 1999	100	–¼	10.59	10.68
119⅝	109⅝	Treas. 13pc 2000	118	–⅛	11.22	10.82
		Over Fifteen Years				
125⅝	115⅛	Treas. 14pc '98-01	124⅝	–⅛	11.64	10.99
97¼	92	Conversion 9¾pc 2001	95	–⅛	10.36	10.52
111¼	102	Exch. 12pc '99-02	109⅞	–⅛	11.10	10.82
101⅛	92¼	Conversion 10pc 2002	95¾xd	–⅛	10.41	10.52
96⅛	94⅞	Treas 9¾pc2002(£25pd)	94⅞	–⅛	10.31	10.44
124½	114⅝	Treas. 13¾pc 2000-03	122¾	–⅛	10.38	10.88
113¼	101¼	Treas. 11½pc 2001-04	106½xd	–⅛	10.78	10.62
99⅛	95½	Treas. 10pc 2004	98¼	–⅛	10.39	10.46
51¼	46⅛	Funding 3½pc '99-04	50½	–⅛	7.01	9.11
97¼	89⅞	Conversion 9½pc 2004	96½	–⅛	10.27	10.43
108⅛	94½	Exch. 10½pc 2005	101xd	–⅛	10.37	10.36
120⅛	111¼	Treas. 12½pc 2003-05	118¼	–⅛	10.89	10.63
85⅞	79	Treas. 8pc 2002-06‡‡	80¾xd	–⅛	9.85	10.18
113¼	103⅝	Treas. 11¾pc 2003-07	110⅝	–⅛	10.79	10.60
130¼	117⅛	Treas. 13½pc '04-08	122½xd	–⅛	10.98	10.64
63¾	57¼	Treas. 5½pc 2008-12‡‡	59⅜xd	–⅛	9.27	9.82
81¼	75¼	Treas. 7¾pc 2012-15‡‡	80¼	–⅛	9.78	9.94
121	112	Exch. 12pc '13-'17	119⅛	–¼	10.34	10.24
		Undated				
40⅞	37¼	Consols 4pc	39⅞	.....	10.15	—
36⅛	33⅞	War Loan 3½pc‡‡	35⅞	.....	10.09	—
45⅛	41⅛	Conv. 3½pc '61 Aft.	44½xd	.....	7.90	—
31¼	28⅛	Treas. 3pc '66 Aft.	29⅝xd	.....	10.11	—
25⅞	23½	Consols 2½pc	24⅞xd	.....	9.99	—
26⅛	23½	Treas. 2½pc	24¾xd	.....	10.05	—

Index-Linked

1985 High	Low	Stock	(b)	Price £	+ or –	(1)	(2)
115¾	105⅜	Treas. 2pc '88	(297.1)	115⅜xd	+⅛	3.45	4.72
99⅞	91½	Do. 2pc '90	(333.9)	99⅞	.....	3.60	4.35
114⅛	108⅛	Do. 2pc '96	(267.9)	113½xd	+⅛	3.66	3.98
103½	98	Do. 2½pc '01	(308.8)	100⅝xd	.....	3.55	3.79
103½	96⅛	Do. 2½pc '03	(310.7)	100⅝	.....	3.50	3.72
106¼	99⅛	Do. 2pc '06	(274.1)	103¼	.....	3.37	3.57
103¼	96⅛	Do. 2½pc '09	(310.7)	100⅛	.....	3.32	3.50
107⅞	101	Do. 2½pc '11	(294.1)	104⅛	.....	3.29	3.46
90⅞	85¾	Do. 2½pc '13	(351.9)	87⅞	.....	3.24	3.40
98⅛	91¼	Do. 2½pc '16	(322.0)	95½	.....	3.22	3.37
97⅝	91	Do. 2½pc '20	(327.3)	93¼xd	.....	3.18	3.32

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for December 1984: 358.5 and for July 1985: 375.7.

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
48	28	Mammet Hldgs 10p	40	.....	—	—	—	ϕ
390	202	Man. Ship Can. £1	382	.....	5.5	3.5	2.1	20.1
104	70	Marley	85xd	.....	3.75	2.2	6.3	10.3
107	52	Marling Ind. 10p	99	−2	d1.5	5.1	2.2	12.6
80	36	Marshall L'ey. 'A'	80	+2	2.4	4.9	4.3	5.7
77	57	Marshall's Universal	61	+1	2.0	1.4	4.7	(19.4)
86	78	Do. 7½pcCnRedPf £1	82	.....	7½%	—	13.1	—
For Martin-Black see Dean Park, Hotels in Recent Equities								
£99	£81	Mathesons 7¾%	£99	.....	Q7¾%	2.3	(7.9)	—
35	23	Maxiprint 1p	25	.....	—	—	—	—
510	375	Metal Box £1	498	.....	17.25	3.1	4.9	7.5
170	110	Metal Closures	114	.....	6.7	2.0	8.5	7.0
17	3	Metal Sciences 2½p	6	.....	—	—	—	—
104	73	Midland Marts	82	−3	4.0	2.1	7.0	9.8
83½	55½	Mitchell Cotts	57	−½	t4.0	1.5	10.0	8.2
230	182	Morgan Crucible	200	.....	8.0	1.6	5.7	13.9
32½	22	Morris (W) F.A. 20p	29½	+½	g0.5	ϕ	2.4	ϕ
116	91	Moss (Robt.) 10p	115	.....	3.0	2.5	3.7	12.7
81	66	Myson Grp 10p	66	.....	g2.5	3.4	5.4	12.5
328	214	NMW Computers	265	.....	t4.8	2.7	2.6	20.4
43	28	Nash Inds.	30	.....	t2.5	1.5	‡	6.9
48	16	Neil & Spencer 10p	16	.....	—	—	—	4.8
44	14½	Newman Inds 10p	36	.....	—	—	—	(27.0)
41	26	Nolton	39	.....	t1.37	4.5	4.3	7.5
189	146	Norcros	184	.....	8.6	2.2	6.7	9.2
67	48	Nu-Swift 5p	58	+2	3.8	1.6	8.6	9.6
311	68	Oakwood Grp	308	.....	t14.5	1.4	6.0	(15.9)
250	150	Office & Elect	247	.....	7.5	2.4	6.3	13.6
108	75	Ofrex 20p	77	.....	4.0	2.6	7.4	6.8
58	37	Optometrics $0.01	52	.....	nd02c	—	3.0	—
495	312½	Oriflame £1	450	.....	23.4	1.8	5.2	10.7
18	10	Overstone 12½c	18	.....	g0.23c	1.9	9.6	5.5
£192	£158	Ozalid 9pc Cnv 87-92	£192	.....	9%	—	—	—
185	105	PCT Grp 10p	135	.....	3.2	2.2	5.0	16.3

LEISURE—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
202	170	Chrysalis	197	−3	5.6	2.6	4.1
52	7	Entertain Prod 5p	28	−2	2.2	2.1	10.9
78	50	Fairline Boats 10p	74		t2.65	2.6	5.1
326	228	First Leisure £1	324	−1	t6.5	2.8	2.9
69	51	GRA Group 5p	60	.....	—	—	—
32	25	Grampian TV'A' 10p	28	.....	h1.67	ϕ	9.5
155	117	HTV Non/Vtg.	153	−2	t7.0	2.9	6.5
148	95	Horizon	103xd		t4.4	3.6	6.1
194	90	Insight	134	.....	12.5	6.5	2.7
140	102	Intasun 10p	130	−3	4.8	3.1	5.3
232	167	Juliana's Hldgs 2p	167	−5	2.0	1.8	1.5
300	217	LWT	292	+2	14.4	2.3	7.0
30	25	Leisure Inv 10p	29		—	—	—
65	53	Leisuretime Int 10p	55	.....	t2.1	3.9	5.4
For Mogul Ag M see Chrysalis							
183	153	Media Tech Int 20p	130	−3	g2.58	ϕ	2.2
205	124	Midsummer 10p	198	+3	t4.35	2.5	3.5
280	175	Miles World 10p	215xd		3.6	4.1	2.4
127½	70	Nationwide Leisure	82	.....	t3.75	2.5	6.5
39	15	Norsk Int 20c	21	−2	—	—	—
25	19½	Owners Abroad	24		1.9	2.2	6.7
59	38	Photax (Lon.)	42	+2	—	—	—
24½	20	P'dilly Radio NV 5p	21½	...	1.87	1.1	12.5
90	30	Pineapple Dnc St 10p	43		d1.5	1.2	5.0
277	183	Pleasurama 5p	277xd	+2	t4.6	3.7	2.4
142	109	Do. 7pcCvCmRedPf	142	...	7%	—	7.0
96	77½	Pres Entertain 50p	93		h2.0	2.2	3.1
65	27	Radio City 'A' NV	27		t5.6	0.9	‡
55	42	Radio Clyde N.V.	45		3.25	2.0	10.3
63	34	Riley Leisure 10p	46		0.7	—	2.2
193	143	Saga Hols. 20p	183		t4.0	2.1	3.1
300	108	Samuelson Grp 20p	260	−5	1.6	ϕ	1.0
42	25	Sampers Photo 10p	30		2.0	1.9	9.5

MINES—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
120	60	Colby Res Corp.	65	.....	—	—	—
550	287	Cons. Murch. 10c	325	.....	gQ86½c	3.9	8.0
40	24	Ennex Int. Ir10p	29	+1	—	—	—
215	115	Hampton Areas 10p	140	.....	3.75	0.9	3.6
260	136	Highwood Res.	195	.....	—	—	—
£22⅞	£17½	Homestake Mining $1	£18⅞	.....	Q20c	—	7.6
310	190	McFinley Red Lake	220	.....	—	—	—
335	195	Mosto Explorations	290	−10	—	—	—
56	23	New Sabina Res C$1	42	+2	—	—	—
375	245	Northgate C$1	270	.....	—	—	—
685	533	RTZ	592	+2	20.0	2.7	4.8
£145½	£116½	Do. 9½pcLn '95-2000	£129	.....	Q9½%	14.0	(7.4)
£14½	£10	Tara Expln $1	£10½	+⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- ϕ Forecast dividend; cover on earnings updated by latest interim statement.
- Ɨ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	99	.....	Arnott	190	.....
Craig & Rose £1	700	.....	CPI Hldgs	61xd	.....
Finlay Pkg. 5p	65	.....	Carrol Inds.	139	.....
Higsons Brew	235	.....	Dublin Gas	73	.....
Holt (Jos) 25p	728	.....	Hall (R. & H.)	60	.....
IoM Stm. £1	90	.....	Heiton Hldgs.	23	.....
IRISH			Irish Ropes	46	.....
Fund 11¾% 1988	£101⅛	−¼	Jacob (W.& R.)	83	.....
Nat 9¾% 84/89	£97¼	−½	Unidare	106	+2
Fin. 13% 97/02	£147xd	−⅝			

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MARKET REPORT

Equities enlivened by steady stream of company news

Government securities resilient

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
July 29	Aug 8	Aug 9	Aug 19
Aug 12	Aug 29	Aug 30	Sept 9
Sept 2	Sept 12	Sept 13	Sept 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

A continuous stream of company trading statements kept interest alive in an otherwise uninspiring trading session on London stock markets yesterday. There was an early flurry of activity in some of the possoble Hanson Trust bid c andidates following news that Hanson had abandoned its offer for SCM, but this soon petered out.

Interest in most of the leaders was at a low ebb, with potential investors remaining on the sidelines awaiting a clearer picture on the outlook for interest rates.

However, occasional support developed for selected international stocks in response to yesterday's fall in sterling against the U.S. dollar. Individual features such as P & O, up 13 at 421p, following bullish reports emanating from a brokers lunch with the company and BTR, which advanced afresh on the half-yearly figures, contributed to the underlying firm trend.

Steady opening indications from Wall Street gave a small boost to sentiment late in the session and the Financial Times Ordinary share index closed 7.4 higher at 1014.0.

Oil shares presented a much steadier appearance after the previous day's setback, while Life Insurances were given a fillip following better-than-expected half-year figures from Prudential.

Government securities held up reasonably well in the face of yesterday's setback in sterling, resilience in this sector being prompted by hopes of a favourable trend in the retail price index for August, which is due to be published today. There wr fw signs of signficant selling and losses of ½ and somtmes more throughout the longer maturities mainly reflected the absence of any worthwhile support. Falls in short-dated stocks were restricted to 1/16.

Pru dip and rally

Prudential gave the market a pleasant surprise yesterday, reporting interim profits of just over £30m which were well above recent pessimistic forecasts of only £5m. Consequently, the shares rebounded from an initial dull level of 645p to close a net 33 higher on the session at 696p. The figures helped other Life issues recover their poise after initial weakness. **Legal and General**, the next to report half-year results on Wednesday, ended 19 to the good at 684p, after 645p. **Britannic** put on 7 to 740p, after 728p, and **Refuge** firmed 9 to 337p, after 322p. Lloyds Brokers were featured by a fall of 23 to 370p in Sedgwick following the disappointing first-half profits. Among irregular Composites, London United gave up 8 to 312p on news of the static interim earnings. **Royals**, on the other hand, appreciated 7 at 652p.

Barclays continued to shrug aside South African uncertainties and moved up 7 to 380p. NatWest, however, came on offer at 642p, down 8.

Breweries lacked recent speculative excitement and usually held close to the overnight positions. Scottish and Newcastle, a shade firmer initially, finally settled 5 lower on balance at 176p, as did Bass at 575p. **Allied-Lyons** proved relatively resilient, however, and rebounded to unchanged at 280p, after 275p.

RM Douglas were the outstanding performer in a mixed Buildings sector and raced ahead to close 14 up at a 1985 high of 62p in the wake of the more-than-doubled full-year profits. **Costain Group** moved up 10 to 448p in response to favourable comment on the interim figures, but half-year results from **John Laing** were at the bottom end of the market forecasts and Laing shares dipped 11 to 264p. **Tarmac** improved 4 to 338p ahead of interim figures due on Monday.

In Chemicals, **Hickson** gained ground following Press comment and rose 7 to 365p. **Anchor Chemical** added 3 more at 208p, still buoyed by the recent U.S. deal.

Garnar Booth flat

Footwear and leather issues provided one of the session's outstanding features in **Garnar Booth** which slumped 25 to 185p in reaction to the acutely disappointing interim results. **Pittard**, on the other hand, advanced 6 to 112p ahead of next Tuesday's half-timer. Occasional interest lifted **Lambert Howarth** a similar amount to 140p.

Quietly mixed for most of the session, leading Stores responded to steady support after the house close and finished at the day's best. **Woolworth** rallied 10 to 470p and **Burton** put on a like amount to 490p, while gains of around 3 were noted for **Marks and Spencer**, 151p, and **Sears**, 107½p. Fresh speculative demand saw **Raybeck** 4 to the good at 35p, but **H. Samuel** eased a couple of pence to 75p following another first-half deficit.

Racal, dull earlier in the week on a downgraded profits forecast from **James Capel**, rallied 8 to 140p. **Plessey** gained 4 to 148p, still on hopes that it will land a multi-million pound U.S. Government order for its Ptarmigan communications system. **GEC** also added 4 to 170p, while **STC** hardened a couple of pence more to 94p. **Cable and Wireless**, unsettled last week by the Government's decision to sell its remaining shareholding in the company during the current financial year, jumped 20 to 580p on a broker's recommendation. Among secondary Electricals, **Dubilier** rose 6 to 152p on further consideration of the sale of its wholly-owned U.S. subsidiary, Flight Connector Corporation. Buying in the wake of several brokers' visit to the company helped **Oxford Instruments** touch 328p before closing a net 10p higher on balance at 323p. **International Signal and Control** revived with a rise of 11 to 298p and **Imtec** hardened a few pence to 30p.

Interest in the Engineering sector was largely confined to secondary issues. **Whessoe** attracted revived speculative support and closed 10 to the good at 106p, while perennial takeover favourite **Davy** moved up 5 to 112p. **Cronite** added 4 at 47p.

Foods put on a much improved performance. **United Biscuits** led the way, rising 10 to 191p following interim profits at the top-end of expectations. Renewed speculative support prompted gains of 6 in **Cadbury Schweppes**, 146p, and **Northern**, 266p. **Bernard Matthews**, another 15 higher at 475p, met demand in a thin market ahead of next Tuesday's interim figures. Among Retailers, **Argyll** improved 5 to 318p after the annual meeting.

Hotels highlighted **Kennedy Brookes** which advanced 13 to 250p on "new-time" support following a broker's lunch.

Bridon depressed

Bridon became a prominent casualty in miscellaneous industrials, falling 18 to 107p in reaction to the disappointing interim profits and bearish statement. **Biddle** also expressed dissatisfaction with its half-year results and closed 14 down at 156p. **Turner and Newall**, on the other hand, reported fairly impressive profits at the half-way stage and closed 5 to the good at 88p. News that Hanson Trust had withdrawn its offer for SCM of the U.S. sparked off a flurry of speculative activity in possible Hanson bid candidates, **Bowater** and **Reed International**; the former touched 350p before closing only a couple of pence dearer at 345p, while the latter closed a penny higher at 715p, after 721p. Comment on the interim figures helped **BTR** rise 12 more to 368p, while **Reckitt and Colman** gained 18 to 530p on further considerations of half-year results. Currency considerations helped **Pilkington** rise 9 to 277p and **BOC** improve 7 to 285p. **Asociated British Ports** advanced 20 to 320p following demand in the wake of the results. **DPCE** added 15 at 390p on trading news and a U.S. contract, while **British Aerospace** attracted late support at 378p, up 11.

Jaguar were an early feature, rising to 305p in active trading as dealers expressed satisfaction with the interim figures; occasional profit-taking was evident mid-afternoon, however, and the close was 8 up on balance at 299p. Among Motor Distributors, **Appleyard** advanced 6 to 71p in reply to the increased interim profits and return to the dividend list.

Saatchi and Saatchi featured advertising agencies with a gain of 20 to a new 1985 high of 725p. **Fitch** advanced 15 to 495p and **Trade Promotions** put on 10 to 95p in response to the respective interim and annual results.

Shippings finished on a bright note. **P & O Deferred** advanced 13 to 421p, aided by publicity given to a broker's seminar. **Ocean Transport**, still regarded as a possible target for the former, met late support and improved 9 to 182p. **James Fisher**, on the other hand, eased a few pence to 103p following the interim figures.

Textiles showed modest gains for choice. **Sirdar**, depressed on Wednesday by the disapointing annual results, rallied a couple of pence to 121p. **Don Brothers Buist** put on 7 to 230p in response to the increased full-year profits and proposed 100 per cent scrip issue.

Tobaccos remained volatile. **Bats**, flat on Wednesday after announcing poor half-time profits, rallied to 288p before settling a net 5 higher at 283p. **Imps** attracted "new-time" buying amid fresh hopes of an imminent announcement regarding its Howard Johnson subsidiary and rose 4 to 186p, after 189p. **Rothmans**, on the other hand, slumped to 112p in reaction to the bearish tenor of the chairman's statement at the annual meeting, but later recovered to 118p, a net loss of 4.

Oils edge higher

The oil sector was much quieter after the widespread falls of the previous two trading sessions, and the leading issues generally managed a small rally. **BP** and **Shell** were virtually unchanged at 545p and 703p—the last named following the interim dividend—but rises ranging from 2 to 5 were recorded by **Britoil**, 215p, **Tricentrol**, 192 and **Ultramar**, 205p. **LASMO** were an active market and improved 8 to 268p. **Burmah Oil's** interim results and increased dividend were well received and the shares improved to 306p prior to closing a net 4 higher at 304p.

In secondary oils **Oilfield Inspection Services** touched 85p immediately following the results, but subsequently retreated to close a net 5 off at 75p. A drilling report from the North Sea boosted **Monument Oil & Gas** 2 to 18p. Elsewhere, **Bryson Oil & Gas** revived with a 7 jump to 85p.

Golds advance

Sentiment in recently beleaguered South African mining markets continued to improve following the political concessions made by President Botha on Wednesday regarding dual citizenship. Reports that the controversial "pass laws" could be scrapped by the South African Government were also regarded as positive and Gold and related issues responded to widespread, although generally light buying interest to close with good gains for the second consecutive session. The strong showing by the dollar tended to unsettle the bullion price but produced substantial improvements in gold shares in sterling terms as the pound dipped against the U.S. currency.

The Gold Mines index advanced a further 14.6 to 323.9 to show a two-day rise of 19.8, while bullion rallied from around $318 to close little changed on balance at $320.25 an ounce.

Vaal Reefs performed strongly in the leading Golds and posted a £2¾ gain at £54¾ while rises in the region of a point were common to **Winkelhaak**, £15¼, **Buffels**, £21, **Southvaal**, £25½ and **Free State Geduld**, £16¼.

Financials were similarly firm with **Anglo American Corporation** up 20 more at 880p, **De Beers** 4 better at 329p and "**Amgold**" £2¼ to the good at £52¾. **Gencor** held at 650p ahead of the interim results. London-registered Financials were featured by **Consolidated Gold Fields** which rose 7 to 427p in front of the preliminary figures which are scheduled for Tuesday.

Australians made modest progress where changed, reflecting a slightly firmer trend in Sydney and Melbourne overnight but most of the interest in the sector was directed towards the more speculative issues. **Terrex** were outstanding and raced ahead to close 8 higher at 37p following the joint venture deal with Broken Hill Proprietary in Western Australia. **Paragon Resources**, formerly **Seltrust Holdings**, made a quiet debut with the shares opening at 14p and edging up to close at 15p.

Traded Options volume declined with 7,668 contracts struck. **Jaguar** were lively following the excellent interim statement and attracted 1,337 calls, the September 280s and 300s accounting for 470 and 263 trades respectively. **Bats** recorded 490 calls and 315 puts.

FINANCIAL TIMES STOCK INDICES

	Sept. 12	Sept. 11	Sept. 10	Sept. 9	Sept. 6	Sept. 5	year ago
Government Secs	82.74	82.79	82.78	82.89	83.25	83.60	80.35
Fixed Interest	88.14	88.16	88.15	88.25	88.40	88.45	85.26
Ordinary ♥	1014.0	1006.6	1006.8	1020.5	1020.6	1003.3	858.8
Gold Mines	323.9	309.3	304.1	318.9	314.8	309.5	512.1
Ord. Div. Yield	4.69	4.70	4.69	4.63	4.63	4.69	4.87
Earnings. Yld. % (full)	11.51	11.53	11.52	11.36	11.36	11.55	11.60
P/E Ratio (net) (*)	10.76	10.74	10.75	10.90	10.91	10.72	10.56
Total bargains (Est.)	20,596	21,510	22,430	22,306	23,561	23,906	15,509
Equity turnover £m.	—	405.33	406.93	385.46	444.99	475.30	321.20
Equity bargains	—	17,498	19,476	20,606	20,177	20,002	15,491
Shares traded (ml)	—	187.3	202.5	197.8	225.3	257.8	178.2

♥ 10 am 1004.5. 11 am 1008.1. Noon 1007.2. 1 pm 1008.5. 2 pm 1009.3. 3 pm 1010.4. 4 pm 1013.2.

Day's High 1014.1. Day's Low 1003.7.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activities 1974.

Latest Index 01-246 8026.

* Nil=10.37.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low		Sept. 11	Sept. 10
Govt. Secs.	83.87 (30/7)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	122.3	131.5
Fixed Int.	88.81 (23/8)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	113.4	126.2
					Value	819.3	825.6
Ordinary	1024.5 (22/1)	911.0 (25/7)	1024.5 (22/1/85)	49.4 (26/6/40)	5 day Average Gilt Edged Bargains	127.5	129.0
Gold Mines	536.9 (15/4)	280.1 (29/8)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	126.7	130.6
					Value	865.1	866.7

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Sept 9	Sept 20	Dec 5	Dec 16
Sept 23	Oct 4	Dec 19	Dec 30
Oct 7	Oct 18	Jan 2	Jan 13

For rate indications see end of Unit Trust Service

Call options were taken out in Imps, Westland, George Wimpey, Energy Capital, Edmond, Pavion, Johnson Matthey, Riley Leisure, Terrex, Semportex, Coalite, Falcon Resources, English China Clays, C. H. Bailey, Pentland and Combined Technologies. Puts were done in Riley Leisure and Bestwood, while a double options was transacted in Aberfoyle.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	44	54
Corpns. Dom. and Foreign Bonds	2	14	61
Industrials	308	232	937
Financial and Props.	109	61	385
Oils	27	18	80
Plantations	—	1	17
Mines	74	14	92
Others	53	67	119
Totals	582	451	1,1745

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thur Sept 12 1985 — Wed Sept 11 — Tues Sept 10 — Mon Sept 9 — Year ago (approx.)

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

[illegible]

BRITISH GOVERNMENT INDEX-LINKED STOCKS

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

[illegible]

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 23,486

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (38)

[illegible]

NEW LOWS (22)

[illegible]

LONDON TRADED OPTIONS

[illegible]

September 12 Total Contracts 7,668 Calls 5,624 Puts 2,044

*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm September 12

[illegible]

MONTREAL

Closing prices September 11

[illegible]

Indices

NEW YORK

DOW JONES

	Sept. 11	Sept. 10	Sept. 9	Sept. 6	Sept. 5	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
♦Industri'ls	1319.44	1333.48	1339.27	1336.89	1325.85	1359.84 (19/7)	1184.88 (4/1)	1359.54 (19/7/85)	41.22 (2/7/32)
Home Bnds	79.66	79.78	80.07	80.19	80.40	80.65 (16/7)	72.27 (29/3)	—	—
Transport	669.36	676.73	679.42	677.56	672.52	702.6 (17/7)	553.03 (4/1)	702.6 (17/7/85)	12.32 (8/7/32)
Utilities	155.11	155.98	158.75	159.16	159.37	168.9 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
Trading Vol 000's	100,380	104,78	89,850	95,040	94,480	—	—	—	—

♦Day's High 1334.01 (1346.55) low 1314.85 (1324.82)

	Aug 30	Aug 23	Aug 16	year ago (approx)
Industrial div. yield %	4.61	4.66	4.68	4.72

STANDARD AND POORS

	Sept. 11	Sept. 10	Sept. 9	Sept. 6	Sept. 5	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Indust'ls	206.16	209.16	209.48	209.41	208.14	215.83 (19/7)	128.24 (4/1)	215.83 (19/7/85)	3.52 (30/6/32)
Comp's'te	185.03	186.90	188.25	188.24	187.27	195.65 (17/7)	163.68 (4/1)	195.65 (17/7/85)	4.40 (1/6/32)

	Aug. 28	Aug. 21	Aug. 14	year ago (approx)
Industrial div. yield	3.72	3.72	3.75	3.91
Industrial P/E ratio	11.88	11.90	11.79	11.83
Long Gov. Bond yield	10.39	10.39	10.63	12.64

N.Y.S.E. ALL COMMON

Sept. 11	Sept. 10	Sept. 9	Sept. 6	1985 High	1985 Low
107.22	108.32	108.12	108.85	113.49 (17/7)	94.60 (4/1)

Rises and Falls

	Sept. 11	Sept. 10	Sept. 9
Issues Traded	1,995	1,987	1,992
Rises	339	453	769
Falls	1,211	1,098	706
Unchanged	445	436	517
New Highs	15	25	48
New Lows	32	27	32

TORONTO

	Sept. 11	Sept. 10	Sept. 9	Sept. 6	1985 High	1985 Low
Metals & Minerals	1996.4	2016.1	2050.4	2040.9	2190.07 (15/2)	1859.3 (/)
Composite	2755.6	2769.8	2780.7	2791.98	2819.9 (30/8)	2346.5 (8/1)
MONTREAL Portfolio	134.37	155.38	135.8	135.71	139.33 (19/7)	117.00 (4/1)

	Sept. 12	Sept. 11	Sept. 10	Sept. 9	1985 High	1985 Low
AUSTRALIA All ord. (1/1/80)	855.5	855.1	855.8	854.8	868.9 (15/8)	718.5 (7/1)
AUSTRALIA Metals & Minls. (1/1/80)	527.1	526.1	526.8	529.3	558.9 (29/5)	502.5 (7/1)
AUSTRIA Credit Aktien (2/1/62)	190.45	190.27	189.44	89.53	196.73 (17/8)	55.21 (2/41)
BELGIUM Brussels SE (1/1/80)	2423.57	2425.09	2430.65	2435.99	2435.95 (9/9)	2050.7 (18/1)
DENMARK Copenhagen SE (3/1/83)	218.44	214.99	214.52	218.41	218.41 (9/8)	158.44 (8/1)
FRANCE CAC General (31/12/82)	218.6	220.5	222.6	225.2	255.1 (31/8)	186.8 (5/1)
FRANCE Ind Tendance (28/12/84)	123.8	124.4	125.8	126.4	130.4 (31/8)	100.1 (8/1)
GERMANY FAZ Aktien (31/12/58)	519.36	516.59	516.84	511.85	519.58 (12/9)	382.80 (3/1)
GERMANY Commerzbank (1/12/53)	1525.5	1515.7	1515.5	1498.5	1525.3 (12/9)	1111.8 (3/1)
HONG KONG Hang Seng Bank (31/7/64)	1598.42	1571.36	1546.51	1550.85	1711.51 (19/8)	1220.74 (2/1)
ITALY Banca Comm Ital. (1972)	388.29	388.25	383.34	379.46	388.29 (12/9)	228.58 (2/1)
JAPAN** Nikkei-Dow (16/5/49)	12883.8	12825.2	12619.5	12466.7	13048.1 (6/7)	11545.2 (5/1)
JAPAN** Tokyo SE New (4/1/68)	1012.42	1013.57	1007.10	1005.58	1057.56 (10/7)	916.93 (4/1)
NETHERLANDS ANP-CBS General (1970)	220.9	221.2	220.5	221.5	223.0 (3/9)	186.5 (5/1)
NETHERLANDS ANP-CBS Indust (1970)	192.9	193.8	193.0	193.7	194.1 (3/9)	147.9 (3/1)
NORWAY Oslo SE (4/1/83)	364.18	362.40	364.12	352.45	364.76 (12/9)	288.18 (2/1)
SINGAPORE Straits Times (1966)	750.52	751.46	750.72	750.42	852.85 (7/3)	717.30 (15/7)
SOUTH AFRICA JSE Gold (28/9/78)	—	1037.8	1002.5	1004.4	1149.8 (15/4)	829.3 (5/9)
SOUTH AFRICA JSE Indust (28/9/78)	—	942.2	958.8	941.5	1035.8 (18/7)	767.1 (7/5)
SPAIN Madrid SE (28/12/84)	109.72	109.67	108.98	110.54	117.41 (4/2)	101.48 (2/1)
SWEDEN Jacobson & P (1/1/58)	1507.18	1504.67	1404.95	1417.58	1488.88 (11/2)	1288.82 (9/7)
SWITZERLAND SwissBankCpn (31/12/58)	498.3	499.5	492.0	499.2	499.3 (11/9)	386.7 (8/1)
WORLD Capital Intl. (1/1/70)	—	213.4	214.6	215.5	224.3 (17/7)	184.8 (4/1)

** Saturday September 7: Japan Nikkei-Dow 12,479.06. TSE 1,002.16.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
SCM	3,604,200	72⅝	− ⅛	Revlon	1,388,700	43	− ¼
Detroit Edison	3,019,400	15⅞	− ¼	Echlin	1,245,600	12⅞	− ⅛
Reynolds Prefd.	2,410,100	124½	+ ¼	Martin-Marietta	1,028,700	34½	− ¼
S. Diego Gas	1,904,600	26⅝	− ⅛	A T & T	984,400	21⅛	− ⅛
Richrdson-Vicks	1,455,200	48⅝	−1⅛	Westghse Elec.	946,500	35⅞	− ⅞

LONDON Chief price changes (in pence unless otherwise indicated)

RISES				
Appleyard	71	+ 6		
Assoc Brit Port	320	+20		
BTR	368	+12		
Costain	448	+10		
Douglas (Rob. M)	62	+14		
Jaguar	299	+ 8		
Kennedy Brookes	250	+13		
LASMO	288	+ 8		
Oxford Inst	323	+10		
P & O Def	421	+13		
Pilkington	277	+ 9		
Plessey	148	+ 4		
Prudential	696	+33		
Racal Elec	140	+ 8		
Reckitt	530	+18		
Saatchi	725	+20		
Terrex Res	37	+ 8		
Turner & New	88	+ 5		
Utd Bisc	191	+10		
Whessoe	106	+10		

FALLS		
Biddle	156	−14
Bridon	107	−18
Garnar Booth	185	−23
Laing (J)	264	−11
Oilfield Insp	75	− 5
Scottish & New	176	− 5
Sedgwick	370	−23

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 45

[illegible]

Prices at 3pm, September 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅜	16	AAR	.56	2.5	15	88	22¾	22¼	22⅝	−⅜
17⅜	9¾	AGS			13	284	16¾	15⅞	16¼	+¾
16½	9⅝	AMCA				10	10⅞	10¾	10¾	−¼
21½	13	AMF	.25j		96	369	13⅝	13½	13½	
50¾	25¼	AMR			7	4612	42¾	42	42¼	−¾
23⅝	18⅝	AMR	pf2.18	9.4		1559	23¼	23	23⅛	+⅛
25⅞	23	ANR	pf 2.67	11.		26	23½	23½	23½	−¼
61⅛	34¾	ASA		25.3		282	38⅝	37¾	37⅞	−¾
27	12½	AVX	.32	2.7	17	121	12⅜	d11⅞	11⅞	−⅜
28⅛	18⅛	AZP	2.72	11.	7	2234	24⅜	24	24⅛	−⅛
60	38¾	AbtLab 1.40		2.5	16	1142	56	55⅜	55⅞	−⅛
25⅞	20	AccoWd .50		2.3	16	33	21¾	21⅝	21⅝	−⅜
24¾	12½	AcmeC .40		2.9		85	14	13⅝	14	+¼
10½	7⅛	AcmeE .32b		4.1	11	12	7⅞	7¾	7¾	
19	15½	AdaEx 1.92e		11.		45	17½	17⅜	17⅜	
20	13½	AdmMl .32		1.9	7	6	17⅛	17	17	
17⅞	8⅝	AdvSys .53t		4.2	18	48	12⅝	12½	12½	−⅛
40⅜	22⅛	AMD			16	3578	26⅜	25½	26¼	+⅞
12⅛	6⅞	Advest	.12	1.4	19	162	8⅞	8⅝	8⅝	−⅛
15⅞	9½	Aerflex			12	56	13⅜	13¼	13¼	−⅛
49⅝	32⅞	AetnLf	2.64	6.2	15	1525	43¼	42⅝	42⅝	−¼
57½	52⅜	AetL	pf5.79e	11.		12	55	54¾	55	−¼
37⅝	18½	Ahmns	1.20	3.9	5	1030	31½	30⅞	30⅞	−⅜
3⅝	2½	Aileen				52	3	2⅞	2⅞	−⅛
57	42	AirPrd	1.20	2.3	12	751	52½	52	52½	+¼
24⅜	15¼	AirbFrt	.60	2.6	13	183	23⅛	23	23	−⅛
2⅛	1⅛	AlMoa	s.10e	5.3		41	1⅞	1⅞	1⅞	
29¼	23⅝	AlaP	pf2.74e	10.		100	27½	27½	27½	−¼
33⅜	27¾	AlaP	pfA3.92	13.		17	30⅞	30⅝	30⅝	−⅛
8⅛	6¼	AlaP	dpf.87	11.		20	7⅞	7¾	7¾	
82	63½	AlaP	pf 9	12.		z1190	77½	77	77½	+½

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, September 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Few revival signs as slide halts

ALTHOUGH Wednesday's wave of selling was stemmed, there were few signs of recovery on Wall Street yesterday among blue chips or the broader range of issues, *writes Terry Byland in New York.*

The credit market was subdued before the release of money supply statistics.

Technical selling pressures from the futures market were reduced as the Standard and Poor's 500 stock futures contract moved above the index itself.

At the close the Dow Jones industrial average was down 7.05 at 1,312.39.

The stock market has returned to the lower end of the Dow 1312–1335 trading range established since the latest doubts over the economy surfaced. This week's selling bout was sparked off by the prolonged period of uncertainty and a final discouragement came from the coolish view of the economy expressed by Mr Preston Martin, vice-chairman of the Federal Reserve.

A rebound in technology stocks helped the rest of the market at the opening. IBM at $128⅛ added $⅞, and Digital Equipment gained $1⅞ to $106. There were some strong spots in chemicals, notably Monsanto, which recouped $1 of its recent fall to reach $48⅛, and Dupont, $⅝ better at $55¾.

An early feature on the New York Stock Exchange was the initial public offering of Rockefeller Center Properties, the investment vehicle created to float off the major Manhattan office development owned by the Rockefeller family. More than 3m of the total new issue of 37.5m shares were traded at prices aroung $20. Debt issues of Rockefeller Center are also to be sold, largely in non-U.S. markets.

The American Stock Exchange trading list was topped by BAT Industries, the UK tobacco group which reported a heavy drop in interim profits because of sluggish trading at some of its U.S. stores. Around 3m of BAT's American Depositary Receipts (ADRs) were traded, including a single block of 2.4m at the overnight price of $3¹¹⁄₁₆.

In the transatlantic takeover sectors, Richardson Vicks jumped $1⅛, but remained below the terms offered by Unilever. The Richardson board, rejecting Unilever, said it would institute a buy-in programme.

Stock in SCM eased by $¼ to $72¾, against the $74 a share offered by Merrill Lynch and the company management. Turnover was light, indicating that Hanson Trust of the UK, which withdrew its rival offer on Wednesday, was no longer in the market.

American Express gained $⅞ to $42⅛ as it moved to spin off the troubled Fireman's Fund insurance subsidiary. But other bank and insurance stocks were weakened by fears that interest rates might be about to head upwards. Bankers Trust at $64⅝ lost $⅝, Chase Manhattan at $53⅛, a similar amount. BankAmerica dipped $⅜ to $13¾, as the departure of a senior executive sparked off renewed selling.

Utility stocks, another traditional indicator for interest rate prospects, fell smartly. Commonwealth Edison were $⅝ off at $29¼ and Consolidated Edison $⅝ lower at $33¼.

Motors stocks, however, were either side of their overnight levels. General Motors added $⅜ to $68⅛ but Ford slipped by $⅛ to $44⅝.

Defence and aerospace stocks suffered selective selling. General Dynamics gave up $2 to $75⅝, and McDonnell Douglas $⅝ to $74¼.

Kansas Gas & Electric was also weak, down $2 to $11⅞ after the local regulators cut back the proposed rate increases, which are needed to fund the Wolf Creek nuclear plant.

Credit markets remained quiet as market analysts continued to disagree over prospects for the economy and also for the policies of the Federal Reserve. Federal funds traded calmly below the 8 per cent mark and, with the Fed still making no move to stimulate the short end of the market, Treasury bill rates hardly moved.

Bond prices were a shade off on balance but retail interest remained lacking. In addition to today's disclosure of the latest indices on producer prices and retail sales, the market was waiting for the money supply announcement, due late in the session.

TOKYO

Barrier absorbs impact

PROFIT-TAKING led share prices down in Tokyo yesterday although patches of support provided a barrier to a broad-based retreat, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average shed 22.21 to 12,603.04 on a volume of 338.64m shares, down from the previous day's 403.35m. Declines outpaced advances 439 to 343, with 168 issues unchanged.

Some blue chips, the main gainers on small-lot buying by an investment trust management company on Wednesday, turned lower to send investors in search of immediate capital gains. The trend was accelerated by the overnight slide on Wall Street and the yen's weakness against the dollar.

Hitachi was down Y4 to Y677, Minolta Camera lost Y13 to Y910 and Sony Y90 to Y3,790. Conversely, NEC gained Y21 to Y991, and Casio Computer rose Y50 to Y1,700.

Mitsubishi Heavy Industries surged to Y410 at one stage and closed at Y405, up Y5, with the largest trading volume of 35.24m shares. But other large-capital issues remained almost unchanged. Nippon Steel declined Y1 to Y167 while Kawasaki Steel rose Y1 to Y214.

Nippon Express gained Y15 to hit an all-time high of Y552, surpassing the previous peak of Y551 reached on July 29. The upsurge was due to speculation that the issue was well positioned to improve after payment for Y30bn worth of its convertible bonds is completed at the end of the month.

Mitsubishi Warehouse led property stocks but slackened later, ending at Y789, up Y8. Mitsui Real Estate dropped Y6 to Y940, and Mitsubishi Estate lost Y9 to Y956. Tobu Railway added Y7 to Y405.

Minebea dropped Y32 to Y790 on speculative sales sparked by the announcement that the firm would issue Y16bn in convertible bonds to counter a U.S. investment company's takeover bid.

Kanebo rallied Y1 to Y391 after suffering a sharp setback on Monday and Tuesday due to the suspension of sales of its liver drug Catergen. Other biotechnology-related issues were out of favour on speculation that a government council would tighten examination of new drugs.

The dominant view among professionals is that the market will remain lethargic towards the end of the month, because the Big Four securities companies – Nomura, Nikko, Daiwa and Yamaichi – will refrain from active trading until their basic policies for the new financial year starting in October are determined later this month.

The yield on the 6.8 per cent government bond due in December 1994 rose slightly from 6.125 per cent to 6.130 per cent.

HONG KONG

RENEWED bargain hunting in Hong Kong extended Wednesday's gains, and prices ended sharply higher.

The Hang Seng index added 24.47 to 1,596.42 to record a gain of more than 50 points in two days after recent declines.

Speculation that banks might not raise interest rates this week fuelled the activity and provided property issues with healthy gains. Hongkong Land added 15 cents to HK$6.30, Hongkong Wharf 20 cents to HK$6.75 and Sun Hung Kai Properties 40 cents to HK$13.20.

Hutchison Whampoa, a trading company with extensive property interests, put on 50 cents to HK$26.60.

SINGAPORE

PROFIT-TAKING and bargain-hunting left Singapore narrowly mixed in fairly active trading.

KL Industries was in the limelight, putting on a substantial 38 cents to S$1.70 with 2.5m shares traded. Duta Consolidated was again active and ended down 10 cents to S$1.74 after 793,000 units changed hands.

In blue-chip industrials, both Fraser & Neave and Gentin shed 5 cents to S$5.75 and S$5.65 respectively while Singapore Press edged up 5 cents to S$5.55.

EUROPE

International foray into Frankfurt

A GENERAL easiness developed during trading in most European bourses yesterday although **Frankfurt** received a fresh spurt of energy which carried many leading shares to record levels.

Most of the exchange's advance was recorded during the morning in a resurgence of the tone which on Tuesday pushed prices to peaks. However, a round of nervous selling in the afternoon motivated by profit-taking left many stocks off their highs for the day.

The Commerzbank index added 9.6 to 1,523.3, surpassing Tuesday's record. The market indicator has reached three peaks during the past five sessions.

Foreign institutional buyers were responsible for much of the demand which was given additional impetus from local sources. Most of the afternoon's selling was generated by nervousness among local investors.

Banking stocks were the centre of interest, with Commerzbank leading the field with a DM 4.80 rise to DM 215.80 while Dresdner added DM 1 to DM 270.20 and Deutsche 50 pfg to DM 59.50.

Automotives received the brunt of the afternoon's profit-taking, having been pushed progressively forward during recent sessions. Daimler closed at a low for the day of DM 987, down DM 2, while Volkswagen eased DM 1.90 to DM 346 and BMW was off DM 9 at DM 502.

Bond prices eased between 10 pfg and 20 pfg with most of the losses among longer maturities. Operators attributed the tone to concern about the strength of the dollar. The Bundesbank bought DM 6.5m worth of paper after selling DM 55.8m on Wednesday.

A consolidation phase emerged in **Zurich** after a gradual rise in the three previous sessions.

Banks maintained their strength. UBS added SwFr 30 to SwFr 4,280, Swiss Volksbank SwFr 25 to SwFr 1,940 and Baer Holding hit an all-time high with a SwFr 250 advance to SwFr 10,000.

Crédit Suisse moved against the trend to close SwFr 10 off at SwFr 3,030.

Profit-taking clipped back some of the recent improvements among financials and holding companies. Adia eased SwFr 45 to SwFr 4,130, Gavazzi SwFr 100 to SwFr 56,503 and Intershop SwFr 7 to SwFr 708.

Wall Street's weakness seemed the influencing factor behind a general easing in share prices in **Amsterdam** although limited cautious buying helped selected stocks post modest gains.

Most insurers were again on buying lists, with Amev experiencing further support as it added Fl 2 to Fl 301.50 after trading as high as Fl 303.60 at midsession.

Most investors who took their profits on Wednesday stayed out of **Brussels** yesterday, and turnover among most stocks fell well below recent levels.

Petrofina was lightly traded and dipped BFr 20 BFr 6,090 while Bekaert added BFr 40 to BFr 6,490 and Solvay was off BFr 20 at BFr 5,260.

Subdued buying during the morning session was sufficient to offset some of the later selling in **Paris**, although a broad range of stocks closed lower on the day.

Food and drink groups were mixed. Moët Hennessy led the way with a FFr 7 rise to FFr 1,948 while Carrefour added FFr 68 to FFr 2,330 and Perrier fell FFr 4 to FFr 473.

Speculation of an improved showing by the Opposition at next Sunday's general elections pushed shares higher in **Stockholm** although turnover remained light.

Strong foreign buying interest saw Pharmacia advance SKr 6 to SKr 183 while Electrolux added a further SKr 5 to SKr 146.

Milan ended mixed, with financials losing ground. Thin trading persisted in **Madrid** amid renewed support for utilities.

CANADA

RETREATING golds and oil pushed Toronto lower and prices extended their week-long gains.

Lac Minerals, which has received agreements to buy Anaconda's one-third interest in Stillwater Mining, slipped C$¼ to C$35¼.

Oils lost ground as Dome Canada shed C$¼ to C$7½ and Imperial Oil eased C$¼ to C$50⅞ on what analysts said was fear of a drop in world oil prices.

In Montreal, industrials, utilities and banks were all marginally lower.

LONDON

A CONTINUOUS stream of company trading statements kept interest alive in an otherwise dull London. Most investors elected to remain on the sidelines waiting for a clearer picture on the outlook for interest rates.

Internationals fared well, however. P & O added 13p to 421p on the half-yearly figures. But interest in most of the leaders was at a low ebb.

The FT Ordinary share index gained 7.4 to close at 1,014.0.

Gilts held up reasonably well in the face of Wednesday's setback in sterling. There were few signs of significant selling, and losses of ⅛ in longs mainly reflected the absence of support.

Chief price changes, Page 43; Details, Page 42; Share information service, Pages 40–41

AUSTRALIA

A LATE rally in industrials sent prices marginally firmer in Sydney yesterday, and the All Ordinaries index recouped an earlier 3.4 drop to end up 0.2 at 955.3.

Hooker and Elders were at the centre of brisk trading in the industrial sector. Two parcels totalling 3.3m shares in Hooker crossed at A$2.00 while the share eased 1 cent to A$2.03. Elders dropped 2 cents to A$3.40 as 2.1m shares changed hands.

Media shares were active on takeover speculation. Herald and Weekly Times rose 20 cents to A$5.00 on rumours that Mr Robert Holmes à Court was about to make a bid for the group, and News Limited weakened 16 cents to A$6.80 on reports that Mr Rupert Murdoch is planning to buy the half of Twentieth Century Fox he does not already own.

SOUTH AFRICA

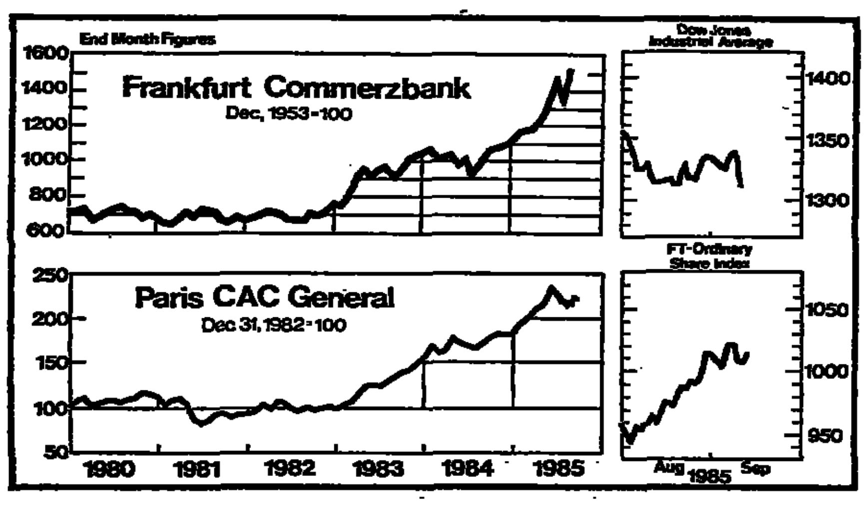
DESPITE a slight fall in the bullion price, golds ended mostly higher in Johannesburg for the second consecutive session.

Vaal Reefs rose R2 to R195, while Randfontein jumped R5 to R214. However, Buffels slipped 25 cents to R74.75 and East Rand Proprietory mines was steady at R15.50.

Elsewhere in mining, holding companies and mining houses were little changed. Anglo American ended unchanged at R31.75.

Diamond share De Beers put on 18 cents to R11.80 while Barclays Bank lost 25 cents to R17.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept 12	Previous	Year ago
NEW YORK			
DJ Industrials	1,318.88*	1,319.44	1,200.31
DJ Transport	667.13*	669.36	513.21
DJ Utilities	153.31*	155.11	129.26
S&P Composite	184.68*	185.03	164.68
LONDON			
FT Ord	1,014.0	1,006.6	858.8
FT-SE 100	1,313.3	1,302.2	1,103.5
FT-A All-share	635.78	631.69	n/a
FT-A 500	699.20	694.16	n/a
FT Gold mines	323.9	309.3	512.1
FT-A Long gilt	10.48	10.44	n/a
TOKYO			
Nikkei-Dow	12,603.04	12,625.25	10,533.5
Tokyo SE	1,012.4	1,013.50	810.74
AUSTRALIA			
All Ord.	955.3	955.1	718.1
Metals & Mins.	527.0	526.1	430.0
AUSTRIA			
Credit Aktien	100.45	100.27	53.94
BELGIUM			
Belgian SE	2,423.37	2,423.69	–
CANADA			
Toronto			
Metals & Minls	n/a	1,986.38	1,940.0
Composite	2,731.8*	2,753.58	2,340.1
Montreal			
Portfolio	132.99*	134.37	115.11
DENMARK			
SE	214.99	n/a	177.23
FRANCE			
CAC Gen	219.8	220.5	173.5
Ind. Tendance	123.8	124.3	113.0
WEST GERMANY			
FAZ-Aktien	519.36	516.59	349.3
Commerzbank	1,523.3	1,513.7	1,016.2
HONG KONG			
Hang Seng	1,596.42	1,571.95	932.4
ITALY			
Banca Comm.	388.29	388.25	211.48
NETHERLANDS			
ANP-CBS Gen	220.9	221.2	166.6
ANP-CBS Ind	192.9	193.5	131.7
NORWAY			
Oslo SE	n/a	362.40	261.34
SINGAPORE			
Straits Times	750.52	751.46	900.39
SOUTH AFRICA			
JSE Golds	–	1,029.1	911.9
JSE Industrials	–	n/a	817.9
SPAIN			
Madrid SE	109.72	109.67	145.74
SWEDEN			
J & P	n/a	1,384.67	1,462.13
SWITZERLAND			
Swiss Bank Ind	498.30	499.3	375.8
WORLD	**Sept 11**	**Prev**	**Year ago**
Capital Int'l	213.4	214.6	180.9

GOLD (per ounce)

	Sept 12	Prev
London	$321.75	$320.50
Zürich	$319.00	$320.60
Paris (fixing)	$318.52	$322.18
Luxembourg	$319.75	$322.50
New York (Oct)	$319.60*	$321.10

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Sept 12	U.S. DOLLAR Previous	STERLING Sept 12	STERLING Previous
$	–	–	1.308	1.308
DM	2.941	2.961	3.885	3.8725
Yen	243.10	243.5	321	318.5
FFr	8.96	9.02	11.83	11.8
SwFr	2.423	2.439	3.1975	3.19
Guilder	3.3055	3.324	4.36	4.3475
Lira	1,964.5	1,967.5	2,593	2,573.5
BFr	59.35	59.65	78.35	78.05
C$	1.3734	1.37115	1.810	1.795

INTEREST RATES

	Sept 12	Prev
Euro-currencies (3-month offered rate)		
£	11¹⁵⁄₁₆	11¹¹⁄₁₆
SwFr	4¹⁵⁄₁₆	4⅝
DM	4⅝	4⅝
FFr	10⅛	10⅛
FT London Interbank fixing (offered rate)		
3-month U.S.$	8⅝₁₆	3⅝
6-month U.S.$	8⅝	8⅝
U.S. Fed Funds	7⅞*	7⅞
U.S. 3-month CDs	8.05*	8.00
U.S. 3-month T-bills	7.24*	7.225

U.S BONDS

Treasury	Sept 12* Price	Sept 12* Yield	Prev Price	Prev Yield
8⅞ 1987	99.18	9.12	99.18	9.12
10⅝ 1992	99.31	10.34	99.31	10.34
10½ 1995	100	10.50	100.0	10.50
10⅝ 2015	99.40	10.721	99.0	10.74
Corporate	**Sep 12* Price**	**Sep 12* Yield**	**Prev Price**	**Prev Yield**
AT & T				
10⅜ June 1990	99⅛	10.50	99½	10.50
3⅞ July 1990	81½	8.65	81½	8.65
8⅝ May 2000	82½	11.20	82½	11.20
Xerox				
10⅝ Mar 1993	98¼	10.95	98¼	10.95
Diamond Shamrock				
10⅝ May 1993	98⅝	11.00	98⅝	11.00
Federated Dept Stores				
10⅝ May 2013	97	11.60	97	11.60
Abbot Lab				
11.80 Feb 2013	100⅝	11.75	100⅝	11.75
Alcoa				
12¼ Dec 2012	98⅝	12.40	98⅞	12.40

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	75–18	75–25	75–13	75–19
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.82	92.85	92.82	92.84
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	91.95	91.90	91.98
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.21	91.22	91.18	91.19
20-year Notional Gilt £50,000 32nds of 100%				
Dec	110–26	110–29	110–19	110–28

COMMODITIES

(London)	Sept 12	Prev
Silver (spot fixing)	459.25p	459.00p
Copper (cash)	£1,036.00	£1,034.00
Coffee (Sept)	£1,625.00	£1,635.50
Oil (spot Arabian Light)	$27.40	$27.40

Company Notices